AGREE REALTY CORP
Form 10-K
March 12, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

Commission File Number 1-12928

AGREE REALTY CORPORATION
(Exact name of Registrant as specified in its charter)

Maryland	38-3148187
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
31850 Northwestern Highway Farmington Hills, Michigan (Address of principal executive offices)	48334 (Zip code)

(248) 737-4190
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.0001 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the Registrant's shares of common stock held by non-affiliates was approximately $150,151,551 as of June 30, 2009, based on the closing price of $18.33 on the New York Stock Exchange on that date.

At February 26, 2010, there were 8,271,464 shares of common stock, $.0001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the annual stockholder meeting to be held in 2010 are incorporated by reference into Part III of this Form 10-K as noted herein.

TABLE OF CONTENTS

	Part I	
Item 1.	Business	1
Item 1A.	Risk Factors	4
Item 1B.	Unresolved Staff Comments	17
Item 2.	Properties	17
Item 3.	Legal Proceedings	24
Item 4.	Reserved	24
	Part II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
Item 6.	Selected Financial Data	26
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 7A	Quantitative and Qualitative Disclosures about Market Risk	32
Item 8	Financial Statements and Supplementary Data	33
Item 9	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	33
Item 9A	Controls and Procedures	33
Item 9B	Other Information	34
	Part III	
Item 10.	Directors, Executive Officers and Corporate Governance	34
Item 11.	Executive Compensation	34
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	34
Item 13.		35

	Certain Relationships and Related Transactions, and Director Independence	
Item 14.	Principal Accountant Fees and Services	35
	Part IV	
Item 15.	Exhibits and Financial Statement Schedules	36
Signatures		39

PART I

FORWARD LOOKING STATEMENTS

Management has included herein certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Securities Exchange Act"). These forward-looking statements represent our expectations, plans or beliefs concerning future events and may be identified by terminology such as "anticipate," "estimate," "should," "expect," "believe," "intend" similar expressions. Although the forward-looking statements made in this report are based on good faith beliefs, reasonable assumptions and our best judgment reflecting current information, certain factors could cause actual results to differ materially from such forward–looking statements, including but not limited to: the ongoing U.S. recession, the existing global credit and financial crisis and other changes in general economic, financial and real estate market conditions; risks that our acquisition and development projects will fail to perform as expected; financing risks, such as the inability to obtain debt or equity financing on favorable terms or at all; the level and volatility of interest rates; loss or bankruptcy of one or more of our major retail tenants; a failure of our properties to generate additional income to offset increases in operating expenses; and other factors discussed in Item 1A. "Risk Factors" and elsewhere in this report and in subsequent filings with the Securities and Exchange Commission ("SEC"). Given these uncertainties, you should not place undue reliance on our forward-looking statements. Except as required by law, we assume no obligation to update these forward–looking statements, even if new information becomes available in the future.

Item 1. BUSINESS

General

Agree Realty Corporation, a Maryland corporation, is a fully-integrated, self-administered and self-managed real estate investment trust ("REIT"). The terms "Registrant", "Company", "we", "our" or "us" refer to Agree Realty Corpor and/or its majority owned operating partnership, Agree Limited Partnership ("Operating Partnership"), and/or its majority owned and controlled subsidiaries, including its qualified taxable REIT subsidiaries ("TRS"), as the context may require. Our assets are held by and all of our operations are conducted through, directly or indirectly, the Operating Partnership, of which we are the sole general partner and in which we held a 95.93% interest as of December 31, 2009. Under the partnership agreement of the Operating Partnership, we, as the sole general partner, have exclusive responsibility and discretion in the management and control of the Operating Partnership.

We are focused primarily on the ownership, development, acquisition and management of retail properties net leased to national tenants. We were incorporated in December 1993 to continue and expand the business founded in 1971 by our current Chief Executive Officer and Chairman, Richard Agree. We specialize in developing retail properties for national tenants who have executed long-term net leases prior to the commencement of construction. As of December 31, 2009, approximately 89% of our annualized base rent was derived from national tenants. As of December 31, 2009, approximately 70% of our annualized base rent was derived from our top three tenants: Walgreen Co. ("Walgreen") – 30%; Borders Group, Inc. ("Borders") – 29%; and Kmart Corporation ("Kmart") - 11%.

At December 31, 2009, our portfolio consisted of 73 properties, located in 16 states containing an aggregate of approximately 3.5 million square feet of gross leasable area ("GLA"). As of December 31, 2009, our portfolio included 61 freestanding net leased properties and 12 community shopping centers that were 98.1% leased with a weighted average lease term of approximately 10.3 years remaining. All of our freestanding property tenants and the majority of our community shopping center tenants have triple-net leases, which require the tenant to be responsible for property operating expenses including property taxes, insurance and maintenance. We believe this strategy provides a generally consistent source of income and cash for distributions. See Item 2. "Properties" for a summary of our developments and acquisitions in 2009, as well as other information regarding our tenants, leases and properties as of

December 31, 2009.

We expect to continue to grow our asset base primarily through the development of retail properties that are pre-leased on a long-term basis to national tenants. We focus on development because we believe, based on our historical returns we have been able to achieve, it generally provides us a higher return on investment than the acquisition of similarly located properties and does not entail the risk associated with speculative development. Since our initial public offering in 1994, we have developed 60 of our 73 properties, including 48 of our 61 freestanding properties and all 12 of our community shopping centers. As of December 31, 2009, the properties that we developed accounted for approximately 84% of our annualized base rent. We expect to continue to expand our tenant relationships and diversify our tenant base to include other quality national tenants.

Growth Strategy

Development. Our growth strategy is to develop retail properties pre-leased on a long-term basis to national tenants. We believe that this strategy produces superior risk adjusted returns. Our development process commences with the identification of a land parcel we believe is situated in an attractive retail location. The location must be in a concentrated retail corridor and have high traffic counts, good visibility and demographics compatible with the needs of a particular retail tenant. After assessing the feasibility of development, we propose to the tenants that we execute long-term net leases for the finished development on that site.

Upon the execution of the leases, we purchase the land and pursue all the necessary approvals to begin development. We direct all aspects of the development, including construction, design, leasing and management. Property management and the majority of the leasing activities are handled directly by our personnel. We believe that this approach enhances our ability to maximize the long-term value of our properties and results in an efficient use of our capital resources.

Acquisitions. We selectively acquire single tenant properties when we have determined that a potential acquisition meets our return on investment criteria and such acquisition will diversify our rental income.

Financing Strategy

The majority of our mortgage indebtedness is fixed rate, non-recourse and long-term in nature. Whenever feasible, we enter into long-term financing for our properties to match the underlying long-term leases. We intend to limit our floating rate debt to borrowings under our credit facilities, which are primarily used to finance new development and acquisitions. Once development of a project is completed, we typically consider refinancing this floating rate debt with fixed rate, non-recourse debt. As of December 31, 2009, our total mortgage debt was approximately $75.6 million with a weighted average maturity of 8.8 years. Of this total mortgage indebtedness, approximately $51.4 million is fixed rate, self–amortizing debt with a weighted average interest rate of 6.56% and a weighted average maturity of 11.3 years. The remaining mortgage debt of approximately $24.2 million bears interest at 150 basis points over LIBOR or 1.74% as of December 31, 2009 and has a maturity date of July 14, 2013, which can be extended at our option for two additional years. In January 2009, we entered into an interest rate swap agreement that fixes the interest rate during the initial term of the variable interest mortgage at 3.744%. In addition to our mortgage debt, we had $29.0 million outstanding under our credit facilities as of December 31, 2009 with a weighted average interest rate of 1.26%. We intend to maintain a ratio of total indebtedness (including construction and acquisition financing) to market capitalization of 65% or less. At December 31, 2009, our ratio of indebtedness to market capitalization assuming the conversion of our operating partnership units, was approximately 52.5%. The decrease in our ratio of indebtedness to market capitalization from 2008 to 2009 was primarily the result of an increase in the market price of our common stock.

We are evaluating our borrowing policies on an on-going basis in light of current economic conditions, relative costs of debt and equity capital, market value of properties, growth and acquisition opportunities and other factors. There is

no contractual limit or any limit in our organizational documents on our ratio of total indebtedness to total market capitalization, and accordingly, we may modify our borrowing policy and may increase or decrease our ratio of debt to market capitalization without stockholder approval.

Property Management

We maintain a proactive leasing and capital improvement program that, combined with the quality and locations of our properties, has made our properties attractive to tenants. We intend to continue to hold our properties for long-term investment and, accordingly, place a strong emphasis on quality construction and an on-going program of regular maintenance. Our properties are designed and built to require minimal capital improvements other than renovations or expansions paid for by tenants. At our 12 community shopping centers properties, we sub-contract on-site functions such as maintenance, landscaping, snow removal and sweeping and the cost of these functions is generally reimbursed by our tenants. Personnel from our corporate headquarters conduct regular inspections of each property and maintain regular contact with major tenants.

We have a management information system designed to provide management with the operating data necessary to make informed business decisions on a timely basis. This computer system provides us rapid access to store availability, lease data, tenants' sales history, cash flow budgets and forecasts, and enables us to maximize cash flow from operations and closely monitor corporate expenses.

Major Tenants

As of December 31, 2009, approximately 69% of our GLA was leased to Walgreen, Borders, and Kmart and approximately 70% of our total annualized base rents were attributable to these tenants. At December 31, 2009, Walgreen occupied approximately 12% of our GLA and accounted for approximately 30% of the annualized base rent. At December 31, 2009, Borders occupied approximately 28% of our GLA and accounted for approximately 29% of the annualized base rent. At December 31, 2009, Kmart occupied approximately 29% of our GLA and accounted for approximately 11% of the annualized base rent. No other tenant accounted for more than 10% of gross leasable area or annualized base rent in 2009. The loss of any of these anchor tenants or a significant number of their stores, or the inability of any of them to pay rent, would have a material adverse effect on our business.

Tax Status

We have operated and intend to operate in a manner to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). In order to maintain qualification as a REIT, we must, among other things, distribute at least 90% of our REIT taxable income and meet certain asset and income tests. Additionally, our charter limits ownership of our Company, directly or constructively, by any single person to 9.8% of the value of our outstanding common stock and preferred stock, subject to certain exceptions. As a REIT, we are not subject to federal income tax with respect to that portion of our income that meets certain criteria and is distributed annually to the stockholders.

We established TRS entities pursuant to the provisions of the REIT Modernization Act. Our TRS entities are able to engage in activities resulting in income that previously would have been disqualified from being eligible REIT income under the federal income tax regulations. As a result, certain activities of our Company which occur within our TRS entities are subject to federal and state income taxes.

Competition

The U.S. commercial real estate investment market continues to be highly competitive. We actively compete with many other entities engaged in the development, acquisition and operation of commercial properties. As such, we compete for a limited supply of properties and financing for these properties. Investors include large institutional investors, insurance companies, credit companies, pension funds, private individuals, investment companies and other REITs, many of which have greater financial and other resources than we do. There can be no assurance that we will

be able to compete successfully with such entities in our development, acquisition and leasing activities in the future.

Potential Environmental Risks

Investments in real property create a potential for environmental liability on the part of the owner or operator of such real property. If hazardous substances are discovered on or emanating from a property, the owner or operator of the property may be held strictly liable for all costs and liabilities relating to such hazardous substances. We have obtained a Phase I environmental study (which involves inspection without soil sampling or ground water analysis) conducted by independent environmental consultants on each of our properties. Furthermore, we have adopted a policy of conducting a Phase I environmental study on each property we acquire and if necessary conducting additional investigation as warranted.

We conducted Phase I environmental studies on the five properties we developed in 2009. The results of the Phase I studies indicated that in three of our developments no further action was required, including no further soil sampling or ground water analysis. On the remaining two developments, in addition to the Phase I environmental study, we conducted additional investigation including in one instance a Phase II environmental assessment and in two instances base line environmental assessments were performed. In addition, we have no knowledge of any hazardous substances existing on any of our properties in violation of any applicable laws; however, no assurance can be given that such substances are not located on any of the properties. We carry no insurance coverage for the types of environmental risks described above.

We believe that we are in compliance, in all material respects, with all federal, state and local ordinances and regulations regarding hazardous or toxic substances. Furthermore, we have not been notified by any governmental authority of any noncompliance, liability or other claim in connection with any of the properties.

Employees

As of February 26, 2010, we employed 10 persons. Employee responsibilities include accounting, construction, leasing, property coordination and administrative functions for the properties. Our employees are not covered by a collective bargaining agreement, and we consider our employee relations to be satisfactory.

Financial Information About Industry Segments

We are in the business of development, acquisition and management of freestanding net leased properties and community shopping centers. We consider our activities to consist of a single industry segment. See the Consolidated Financial Statements and Notes thereto included in this Annual Report on Form 10-K.

Available Information

Our headquarters are located at 31850 Northwestern Highway, Farmington Hills, MI 48334 and our telephone number is (248) 737-4190. Our web site address is www.agreerealty.com. Our reports electronically filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act can be accessed through this site, free of charge, as soon as reasonably practicable after we electronically file or furnish such reports. These filings are also available on the SEC's website at www.sec.gov.

ITEM 1A. RISK FACTORS

Risks Related to Our Business and Operations

The recent global economic and financial market crisis has had and may continue to have a negative effect on our business and operations.

The recent global economic and financial market crisis has caused, among other things, a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, lower consumer and business spending, and lower consumer confidence and net worth, all of which has had and may continue to have a negative effect on our business, results of operations, financial condition and liquidity. Many of our tenants have been affected by the current economic turmoil. Current or potential tenants may delay or postpone entering into long-term net leases with us which could continue to lead to reduced demand for commercial real estate. We are also limited in our ability to reduce costs to offset the results of a prolonged or severe economic downturn given certain fixed costs and commitments associated with our operations.

The timing and nature of any recovery in the credit and financial markets remains uncertain, and there can be no assurance that market conditions will improve in the near future or that our results will not continue to be materially and adversely affected. Such conditions make it very difficult to forecast operating results, make business decisions and identify and address material business risks. The foregoing conditions may also impact the valuation of certain long-lived or intangible assets that are subject to impairment testing, potentially resulting in impairment charges which may be material to our financial condition or results of operations.

Capital markets are currently experiencing a period of dislocation and instability, which has had and could continue to have a negative impact on the availability and cost of capital.

The general disruption in the U.S. capital markets has impacted the broader worldwide financial and credit markets and reduced the availability of debt and equity capital for the market as a whole. These conditions could persist for a prolonged period of time or worsen in the future. Our ability to access the capital markets may be restricted at a time when we would like, or need, to access those markets, which could have an impact on our flexibility to react to changing economic and business conditions. The resulting lack of available credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could materially and adversely affect our business, financial condition, results of operations and our ability to obtain and manage our liquidity. In addition, the cost of debt financing and the proceeds of equity financing may be materially adversely impacted by these market conditions.

Single tenant leases involve significant risks of tenant default.

We focus our development and investment activities on ownership of real properties that are leased to a single tenant. Therefore, the financial failure of, or other default in payment by, a single tenant under its lease is likely to cause a significant reduction in our operating cash flows from that property and a significant reduction in the value of the property, and could cause a significant reduction in our revenues and a significant impairment loss. We may also experience difficulty or a significant delay in re-leasing such property. The current economic conditions and the credit crisis may put financial pressure on and increase the likelihood of the financial failure of, or other default in payment by, one or more of the tenants to whom we have exposure.

Failure by any major tenant with leases in multiple locations to make rental payments to us, because of a deterioration of its financial condition or otherwise, would have a material adverse effect on us.

We derive substantially all of our revenue from tenants who lease space from us at our properties. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition, particularly during periods of economic uncertainty. As a result, our tenants may delay lease commencements, decline to extend or renew leases upon expiration, fail to make rental payments when due, close a number of stores or declare bankruptcy. Any of these actions could result in the termination of the tenant's leases and the loss of rental income attributable to the terminated leases. In addition, lease terminations by a major tenant or a failure by that major tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping centers under the terms of some leases. In that event, we may be unable to re-lease the vacated space at attractive rents or at all. The occurrence of any of the situations described above would have a material adverse effect on our results of operations and our financial condition.

We rely significantly on three major tenants, and therefore, are subject to tenant credit concentrations that make us more susceptible to adverse events with respect to those tenants.

As of December 31, 2009, we derived approximately 70% of our annualized base rent from three major tenants:

5

- approximately 30% of our annualized base rent was from Walgreen;
- approximately 29% of our annualized base rent was from Borders; and
- approximately 11%, of our annualized base rent was from Kmart.

In addition, a significant portion of our 2008 and 2009 development projects were for Walgreen Co. In the event of a default by any of these tenants under their leases, we may experience delays in enforcing our rights as lessor and may incur substantial costs in protecting our investment. Any bankruptcy, insolvency or failure to make rental payments by, or any adverse change in the financial condition of, one or more of these tenants, or any other tenant to whom we may have a significant credit concentration now or in the future, would likely result in a material reduction of our cash flows or material losses to our company.

As discussed in more detail below under Item 2. "Properties—Development and Acquisition Summary," Borders reported its annual net (loss) for its 2008 fiscal year ended January 31, 2009 was approximately ($187 million).

Bankruptcy laws will limit our remedies if a tenant becomes bankrupt and rejects the lease.

If a tenant becomes bankrupt or insolvent, that could diminish the income we receive from that tenant's leases. We may not be able to evict a tenant solely because of its bankruptcy. On the other hand, a bankruptcy court might authorize the tenant to terminate its leases with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be an unsecured prepetition claim subject to statutory limitations, and therefore such amounts received in bankruptcy are likely to be substantially less than the remaining rent we otherwise were owed under the leases. In addition, any claim we have for unpaid past rent could be substantially less than the amount owed. Circuit City, a tenant who occupied one location in our portfolio filed for bankruptcy protection in December 2008 and is in the process of liquidation.

Certain of our tenants at our community shopping centers have the right to terminate their leases if other tenants cease to occupy a property.

In the event that certain tenants cease to occupy a property, although under most circumstances such a tenant would remain liable for its lease payments, such an action may result in certain other tenants at our community shopping centers having the right to terminate their leases at the affected property, which could adversely affect the future income from that property. As of December 31, 2009, each of our 12 community shopping centers had tenants with those provisions in their leases.

Our portfolio has limited geographic diversification, which makes us more susceptible to adverse events in these areas.

Our properties are located primarily in the Midwestern United States and in particular, the State of Michigan (with 42 properties). An economic downturn or other adverse events or conditions such as terrorist attacks or natural disasters in these areas, or any other area where we may have significant concentration now or in the future, could result in a material reduction of our cash flows or material losses to our company.

Risks associated with our development and acquisition activities.

We intend to continue development of new properties and to consider possible acquisitions of existing properties. We anticipate that our new developments will be financed under lines of credit or other forms of construction financing that will result in a risk that permanent financing on newly developed projects might not be available or would be

available only on disadvantageous terms. In addition, new project development is subject to a number of risks, including risks of construction delays or cost overruns that may increase project costs, risks that the properties will not achieve anticipated occupancy levels or sustain anticipated rent levels, and new project commencement risks such as receipt of zoning, occupancy and other required governmental permits and authorizations and the incurrence of development costs in connection with projects that are not pursued to completion. If permanent debt or equity financing is not available on acceptable terms to refinance new development or acquisitions undertaken without permanent financing, further development activities or acquisitions might be curtailed or cash available for distribution might be adversely affected. Acquisitions entail risks that investments will fail to perform in accordance with expectations and that judgments with respect to the costs of improvements to bring an acquired property up to standards established for the market position intended for that property will prove inaccurate, as well as general investment risks associated with any new real estate investment.

Properties that we acquire or develop may be located in new markets where we may face risks associated with investing in an unfamiliar market.

We may acquire or develop properties in markets that are new to us. When we acquire or develop properties located in these markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures.

We own several of our properties subject to ground leases that expose us to the loss of such properties upon breach or termination of the ground leases and may limit our ability to sell these properties.

We own several of our properties through leasehold interests in the land underlying the buildings and we may acquire additional buildings in the future that are subject to similar ground leases. As lessee under a ground lease, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

Our ground leases contain certain provisions that may limit our ability to sell certain of our properties. In order to assign or transfer our rights and obligations under certain of our ground leases, we generally must obtain the consent of the landlord which, in turn, could adversely impact the price realized from any such sale.

Joint venture investments will expose us to certain risks.

We may from time to time enter into joint venture transactions for portions of our existing or future real estate assets. Investing in this manner subjects us to certain risks, among them the following:

- We will not exercise sole decision-making authority regarding the joint venture’s business and assets and, thus, we may not be able to take actions that we believe are in our company’s best interests.

- We may be required to accept liability for obligations of the joint venture (such as recourse carve-outs on mortgage loans) beyond our economic interest.

- Our returns on joint venture assets may be adversely affected if the assets are not held for the long-term.

The availability and timing of cash distributions is uncertain.

We expect to continue to pay quarterly distributions to our stockholders. However, we bear all expenses incurred by our operations, and our funds generated by operations, after deducting these expenses, may not be sufficient to cover desired levels of distributions to our stockholders. In addition, our board of directors, in its discretion, may retain any portion of such cash for working capital. We cannot assure our stockholders that sufficient funds will be available to pay distributions.

We depend on our key personnel.

Our success depends to a significant degree upon the continued contributions of certain key personnel including, but not limited to, our executive officers, each of whom would be difficult to replace. If any of our key personnel were to cease employment with us, our operating results could suffer. Our ability to retain our executive officers or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our future development or acquisition operations, our financial condition and cash flows. Further, such a loss could be negatively perceived in the capital markets. We have not obtained and do not expect to obtain key man life insurance on any of our key personnel.

We face significant competition.

We face competition in seeking properties for acquisition and tenants who will lease space in these properties from insurance companies, credit companies, pension or private equity funds, private individuals, investment companies, other REITs and other industry participants, many of which have greater financial and other resources than we do. There can be no assurance that we will be able to successfully compete with such entities in our development, acquisition and leasing activities in the future.

General Real Estate Risk

Our performance and value are subject to general economic conditions and risks associated with our real estate assets.

There are risks associated with owning and leasing real estate. Although many of our leases contain terms that obligate the tenants to bear substantially all of the costs of operating our properties, investing in real estate involves a number of risks. Income from and the value of our properties may be adversely affected by:

- changes in general or local economic conditions;
- the attractiveness of our properties to potential tenants;
- changes in supply of or demand for similar or competing properties in an area;
- bankruptcies, financial difficulties or lease defaults by our tenants;
- changes in operating costs and expense and our ability to control rents;
- our ability to lease properties at favorable rental rates;
- our ability to sell a property when we desire to do so at a favorable price;
- unanticipated changes in costs associated with known adverse environmental conditions or retained liabilities for such conditions;
- changes in or increased costs of compliance with governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws, and our potential liability thereunder; and
- unanticipated expenditures to comply with the Americans with Disabilities Act and other similar regulations.

The global economic and financial market crisis has exacerbated many of the foregoing risks. If a tenant fails to perform on its lease covenants, that would not excuse us from meeting any mortgage debt obligation secured by the property and could require us to fund reserves in favor of our mortgage lenders, thereby reducing funds available for payment of cash dividends on our shares of common stock.

The fact that real estate investments are relatively illiquid may reduce economic returns to investors.

We may desire to sell a property in the future because of changes in market conditions or poor tenant performance or to avail ourselves of other opportunities. We may also be required to sell a property in the future to meet secured debt obligations or to avoid a secured debt loan default. Real estate properties cannot always be sold quickly, and we cannot assure you that we could always obtain a favorable price, especially in light of the current global economic and financial market crisis. We may be required to invest in the restoration or modification of a property before we can sell it. This lack of liquidity may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions and, as a result, could adversely affect our financial condition, results of operations, cash flows and our ability to pay distributions on our common stock.

Our ability to renew leases or re-lease space on favorable terms as leases expire significantly affects our business.

We are subject to the risks that, upon expiration of leases for space located in our properties, the premises may not be re-let or the terms of re-letting (including the cost of concessions to tenants) may be less favorable than current lease terms. If a tenant does not renew its lease or if a tenant defaults on its lease obligations, there is no assurance we could obtain a substitute tenant on acceptable terms. If we cannot obtain another tenant with comparable structural needs, we may be required to modify the property for a different use, which may involve a significant capital expenditure and a delay in re-leasing the property. Further, if we are unable to re-let promptly all or a substantial portion of our retail space or if the rental rates upon such re-letting were significantly lower than expected rates, our net income and ability to make expected distributions to stockholders would be adversely affected. There can be no assurance that we will be able to retain tenants in any of our properties upon the expiration of their leases.

A property that incurs a vacancy could be difficult to sell or re-lease.

A property may incur a vacancy either by the continued default of a tenant under its lease or the expiration of one of our leases. Certain of our properties may be specifically suited to the particular needs of a tenant. We may have difficulty obtaining a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash available to be distributed to stockholders. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

Potential liability for environmental contamination could result in substantial costs.

Under federal, state and local environmental laws, we may be required to investigate and clean up any release of hazardous or toxic substances or petroleum products at our properties, regardless of our knowledge or actual responsibility, simply because of our current or past ownership or operation of the real estate. If unidentified environmental problems arise, we may have to make substantial payments, which could adversely affect our cash flow and our ability to make distributions to our stockholders. This potential liability results from the following:

- As owner we may have to pay for property damage and for investigation and clean-up costs incurred in connection with the contamination.

- The law may impose clean-up responsibility and liability regardless of whether the owner or operator knew of or caused the contamination.

- Even if more than one person is responsible for the contamination, each person who shares legal liability under environmental laws may be held responsible for all of the clean-up costs.

- Governmental entities and third parties may sue the owner or operator of a contaminated site for damages and costs.

These costs could be substantial and in extreme cases could exceed the value of the contaminated property. The presence of hazardous substances or petroleum products or the failure to properly remediate contamination may adversely affect our ability to borrow against, sell or lease an affected property. In addition, some environmental laws create liens on contaminated sites in favor of the government for damages and costs it incurs in connection with a contamination.

A majority of our leases require our tenants to comply with environmental laws and to indemnify us against environmental liability arising from the operation of the properties. However, we could be subject to strict liability under environmental laws because we own the properties. There is also a risk that tenants may not satisfy their environmental compliance and indemnification obligations under the leases. Any of these events could substantially increase our cost of operations, require us to fund environmental indemnities in favor of our secured lenders and reduce our ability to service our secured debt and pay dividends to stockholders and any debt security interest payments. Environmental problems at any properties could also put us in default under loans secured by those properties, as well as loans secured by unaffected properties.

Uninsured losses relating to real property may adversely affect our returns.

Our leases require tenants to carry comprehensive liability and extended coverage insurance on our properties. However, there are certain losses, including losses from environmental liabilities, terrorist acts or catastrophic acts of nature, that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. If there is an uninsured loss or a loss in excess of insurance limits, we could lose both the revenues generated by the affected property and the capital we have invested in the property. In the event of a substantial unreimbursed loss, we would remain obligated to repay any mortgage indebtedness or other obligations related to the property.

Risks Related to Our Debt Financings

Leveraging our portfolio subjects us to increased risk of loss, including loss of properties in the event of a foreclosure.

At December 31, 2009, our ratio of indebtedness to market capitalization (assuming conversion of Operating Partnership units) was approximately 53%. The use of leverage presents an additional element of risk in the event that (1) the cash flow from lease payments on our properties is insufficient to meet debt obligations, (2) we are unable to refinance our debt obligations as necessary or on as favorable terms or (3) there is an increase in interest rates. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the property could be foreclosed upon with a consequent loss of income and asset value to us. Under the “cross-default” provisions contained in mortgages encumbering some of our properties, our default under a mortgage with a lender would result in our default under mortgages held by the same lender on other properties resulting in multiple foreclosures.

We intend to maintain a ratio of total indebtedness (including construction or acquisition financing) to market capitalization of 65% or less. Nevertheless, we may operate with debt levels which are in excess of 65% of market capitalization for extended periods of time. Our organization documents contain no limitation on the amount or percentage of indebtedness which we may incur. Therefore, our board of directors, without a vote of the stockholders, could alter the general policy on borrowings at any time. If our debt capitalization policy were changed, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our operating cash flow and our ability to make expected distributions to stockholders, and could result in an increased risk of default on our obligations.

Covenants in our credit agreements could limit our flexibility and adversely affect our financial condition.

The terms of our credit facilities and other indebtedness require us to comply with a number of customary financial and other covenants. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations. Our credit facility contains certain cross-default provisions which are triggered in the event that our other indebtedness is in default. These cross-default provisions may require us to repay or restructure the credit

facility in addition to any mortgage or other debt that is in default. If our properties were foreclosed upon, or if we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected.

Credit market developments may reduce availability under our credit agreements.

Due to the current volatile state of the credit markets, there is risk that lenders, even those with strong balance sheets and sound lending practices, could fail or refuse to honor their legal commitments and obligations under existing credit commitments, including but not limited to: extending credit up to the maximum permitted by a credit facility, allowing access to additional credit features and/or honoring loan commitments. If our lender(s) fail to honor their legal commitments under our credit facilities, it could be difficult in the current environment to replace our credit facilities on similar terms. The failure of any of the lenders under our credit facility may impact our ability to finance our operating or investing activities.

Risks Related to Our Corporate Structure

Our charter and Maryland law contain provisions that may delay, defer or prevent a change of control transaction.

Our charter contains a 9.8% ownership limit. Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and to limit any person to actual or constructive ownership of no more than 9.8% of the value of our outstanding shares of common stock and preferred stock, except that the any member of the Agree-Rosenberg Group (as defined in our charter) (the "Agree-Rosenberg Group") may own up to 24%. Our board of directors, in its sole discretion, may exempt, subject to the satisfaction of certain conditions, any person from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any person whose ownership, direct or indirect, in excess of 9.8% of the value of our outstanding shares of common stock and preferred stock could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay or impede, and we may use the ownership limit deliberately to delay or impede, a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

We have a staggered board. Our directors are divided into three classes serving three-year staggered terms. The staggering of our board of directors may discourage offers for our company or make an acquisition more difficult, even when an acquisition is in the best interest of our stockholders.

We have a shareholder rights plan. Under the terms of this plan, we can in effect prevent a person or group from acquiring more than 15% of the outstanding shares of our common stock because, unless we approve of the acquisition, after the person acquires more than 15% of our outstanding common stock, all other stockholders will have the right to purchase securities from us at a price that is less than their then fair market value. This would substantially reduce the value and influence of the stock owned by the acquiring person. Our board of directors can prevent the plan from operating by approving the transaction in advance, which gives us significant power to approve or disapprove of the efforts of a person or group to acquire a large interest in our company.

We could issue stock without stockholder approval. Our board of directors could, without stockholder approval, issue authorized but unissued shares of our common stock or preferred stock. In addition, our board of directors could, without stockholder approval, classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares. Our board of directors could establish a series of stock that could, depending on the terms of such series, delay, defer or prevent a transaction or change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Provisions of Maryland law may limit the ability of a third party to acquire control of our company. Certain provisions of Maryland law may have the effect of inhibiting a third party from making a proposal to acquire us or of

impeding a change of control under certain circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder and thereafter would require the recommendation of our board of directors and impose special appraisal rights and special stockholder voting requirements on these combinations; and

- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

The business combination statute permits various exemptions from its provisions, including business combinations that are approved or exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has exempted from the business combination provisions of the MGCL any business combination with Mr. Richard Agree or any other person acting in concert or as a group with Mr. Agree.

In addition, our bylaws contain a provision exempting from the control share acquisition statute any members of the Agree-Rosenberg Group, our other officers, our employees, any of the associates or affiliates of the foregoing and any other person acting in concert of as a group with any of the foregoing.

Additionally, Title 3, Subtitle 8 of the Maryland General Corporation Law, or MGCL, permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or our bylaws, to implement takeover defenses. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change in control of our company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price.

Our charter, our bylaws, the limited partnership agreement of our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our board of directors can take many actions without stockholder approval.

Our board of directors has overall authority to oversee our operations and determine our major corporate policies. This authority includes significant flexibility. For example, our board of directors can do the following:

- change our investment and financing policies and our policies with respect to certain other activities, including our growth, debt capitalization, distributions, REIT status and investment and operating policies;

- within the limits provided in our charter, prevent the ownership, transfer and/or accumulation of shares in order to protect our status as a REIT or for any other reason deemed to be in the best interests of us and our stockholders;

- issue additional shares without obtaining stockholder approval, which could dilute the ownership of our then-current stockholders;

- classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares, without obtaining stockholder approval;

12

- employ and compensate affiliates;
- direct our resources toward investments that do not ultimately appreciate over time;
- change creditworthiness standards with respect to third-party tenants; and
- determine that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Any of these actions could increase our operating expenses, impact our ability to make distributions or reduce the value of our assets without giving our stockholders the right to vote.

Future offerings of debt and equity may not be available to us or may adversely affect the market price of our common stock.

We expect to continue to increase our capital resources by making additional offerings of equity and debt securities in the future, which would include classes of preferred stock, common stock and senior or subordinated notes. Our ability to raise additional capital may be adversely impacted by market conditions, and we do not know when market conditions will stabilize or improve. All debt securities and other borrowings, as well as all classes of preferred stock, will be senior to our common stock in a liquidation of our company. Additional equity offerings could dilute our stockholders' equity, reduce the market price of shares of our common stock, or be of preferred stock having a distribution preference that may limit our ability to make distributions on our common stock. Continued market dislocations could cause us to seek sources of potentially less attractive capital. Our ability to estimate the amount, timing or nature of additional offerings is limited as these factors will depend upon market conditions and other factors.

The market price of our stock may vary substantially.

The market price of our common stock could be volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. Among the market conditions that may affect the market price of our common stock are the following:

- our financial condition and operating performance and the performance of other similar companies;
- actual or anticipated variations in our quarterly results of operations;
- the extent of investor interest in our company, real estate generally or commercial real estate specifically;
- the reputation of REITs generally and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- fluctuations in stock market prices and volumes; and
- announcements by us or our competitors of acquisitions, investments or strategic alliances.

Certain officers and directors may have interests that conflict with the interests of stockholders.

Certain of our officers and members of our board of directors own operating partnership units in our Operating Partnership. These individuals may have personal interests that conflict with the interests of our stockholders with respect to business decisions affecting us and our Operating Partnership, such as interests in the timing and pricing of property sales or refinancings in order to obtain favorable tax treatment. As a result, the effect of certain transactions on these unit holders may influence our decisions affecting these properties.

Federal Income Tax Risks

Complying with REIT requirements may cause us to forgo otherwise attractive opportunities.

To qualify as a REIT for federal income tax purposes and to maintain our exemption from the 1940 Act, we must continually satisfy numerous income, asset and other tests, thus having to forgo investments we might otherwise make and hindering our investment performance.

Failure to qualify as a REIT could adversely affect our operations and our ability to make distributions.

We will be subject to increased taxation if we fail to qualify as a REIT for federal income tax purposes. Although we believe that we are organized and operate in such a manner so as to qualify as a REIT under the Internal Revenue Code, no assurance can be given that we will remain so qualified. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial or administrative interpretations. The complexity of these provisions and applicable Treasury Regulations is also increased in the context of a REIT that holds its assets in partnership form. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. A REIT generally is not taxed at the corporate level on income it distributes to its stockholders, as long as it distributes annually at least 100% of its taxable income to its stockholders. We have not requested and do not plan to request a ruling from the Internal Revenue Service that we qualify as a REIT.

If we fail to qualify as a REIT, we will face tax consequences that will substantially reduce the funds available for payment of cash dividends:

- We would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates.
- We could be subject to the federal alternative minimum tax and possibly increased state and local taxes.
- Unless we are entitled to relief under statutory provisions, we could not elect to be treated as a REIT for four taxable years following the year in which we were disqualified.

In addition, if we fail to qualify as a REIT, we will no longer be required to pay dividends (other than any mandatory dividends on any preferred shares we may offer). As a result of these factors, our failure to qualify as a REIT could adversely effect the market price for our common stock.

Changes in tax laws may prevent us from maintaining our qualification as a REIT.

As we have previously described, we intend to maintain our qualification as a REIT for federal income tax purposes. However, this intended qualification is based on the tax laws that are currently in effect. We are unable to predict any future changes in the tax laws that would adversely affect our status as a REIT. If there is a change in the tax laws that prevent us from qualifying as a REIT or that requires REITs generally to pay corporate level income taxes, we may not be able to make the same level of distributions to our stockholders.

An investment in our stock has various tax risks that could affect the value of your investment, including the treatment of distributions in excess of earnings and the inability to apply “passive losses” against distributions.

An investment in our stock has various tax risks. Distributions in excess of current and accumulated earnings and profits, to the extent that they exceed the adjusted basis of an investor’s stock, will be treated as long-term capital gain

(or short-term capital gain if the shares have been held for less than one year). Any gain or loss realized upon a taxable disposition of shares by a stockholder who is not a dealer in securities will be treated as a long-term capital gain or loss if the shares have been held for more than one year, and otherwise will be treated as short-term capital gain or loss. Distributions that we properly designate as capital gain distributions will be treated as taxable to stockholders as gains (to the extent that they do not exceed our actual net capital gain for the taxable year) from the sale or disposition of a capital asset held for greater than one year. Distributions we make and gain arising from the sale or exchange by a stockholder of shares of our stock will not be treated as passive income, meaning stockholders generally will not be able to apply any “passive losses” against such income or gain.

Excessive non-real estate asset values may jeopardize our REIT status.

In order to qualify as a REIT, at least 75% of the value of our assets must consist of investments in real estate, investments in other REITs, cash and cash equivalents, and government securities. Therefore, the value of any properties we own that are not considered real estate assets for federal income tax purposes must represent in the aggregate less than 25% of our total assets. In addition, under federal income tax law, we may not own securities in any one issuer (other than a REIT, a qualified REIT subsidiary or a TRS) which represent in excess of 10% of the voting securities or 10% of the value of all securities of any one issuer, or which have, in the aggregate, a value in excess of 5% of our total assets, and we may not own securities of one or more TRSs which have, in the aggregate, a value in excess of 25% of our total assets. We may invest in securities of another REIT, and our investment may represent in excess of 10% of the voting securities or 10% of the value of the securities of the other REIT. If the other REIT were to lose its REIT status during a taxable year in which our investment represented in excess of 10% of the voting securities or 10% of the value of the securities of the other REIT as of the close of a calendar quarter, we may lose our REIT status.

Compliance with the asset tests is determined at the end of each calendar quarter. Subject to certain mitigation provisions, if we fail to meet any such test at the end of any calendar quarter, we will cease to qualify as a REIT.

We may have to borrow funds or sell assets to meet our distribution requirements.

Subject to some adjustments that are unique to REITs, a REIT generally must distribute 90% of its taxable income. For the purpose of determining taxable income, we may be required to accrue interest, rent and other items treated as earned for tax purposes but that we have not yet received. In addition, we may be required not to accrue as expenses for tax purposes some items which actually have been paid, including, for example, payments of principal on our debt, or some of our deductions might be disallowed by the Internal Revenue Service. As a result, we could have taxable income in excess of cash available for distribution. If this occurs, we may have to borrow funds or liquidate some of our assets in order to meet the distribution requirement applicable to a REIT.

Future distributions may include a significant portion as a return of capital.

Our distributions may exceed the amount of our income as a REIT. If so, the excess distributions will be treated as a return of capital to the extent of the stockholder's basis in our stock, and the stockholder's basis in our stock will be reduced by such amount. To the extent distributions exceed a stockholder's basis in our stock, the stockholder will recognize capital gain, assuming the stock is held as a capital asset.

Our ownership of and relationship with any TRS which we recently formed or acquire in the future will be limited, and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Overall, no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. A TRS will typically pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. The TRS that we recently formed will pay federal, state and local income tax on its taxable income, and its after-tax net income will be available for distribution to us but will not be required to be distributed to us. There can be no assurance that we will be able to comply with the 25% limitation discussed above or to avoid application of the 100% excise tax discussed above.

15

Liquidation of our assets may jeopardize our REIT qualification.

To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any gain if we sell assets in transactions that are considered to be "prohibited transactions," which are explained in the risk factor below.

We may be subject to other tax liabilities even if we qualify as a REIT.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay certain federal, state and local taxes on our income and property. For example, we will be subject to income tax to the extent we distribute less than 100% of our REIT taxable income (including capital gains). Additionally, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Moreover, if we have net income from "prohibited transactions," that income will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. While we will undertake sales of assets if those assets become inconsistent with our long-term strategic or return objectives, we do not believe that those sales should be considered prohibited transactions, but there can be no assurance that the IRS would not contend otherwise. The need to avoid prohibited transactions could cause us to forego or defer sales of properties that might otherwise be in our best interest to sell.

In addition, any net taxable income earned directly by our TRS, or through entities that are disregarded for federal income tax purposes as entities separate from our TRS, will be subject to federal and possibly state corporate income tax. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for distributions to our stockholders.

Dividends payable by REITs do not qualify for the reduced tax rates on dividend income from regular corporations.

The maximum tax rate for dividends payable to domestic stockholders that are individuals, trusts and estates were reduced in recent years to 15% (through 2010). Dividends payable by REITs, however, are generally not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our stock.

Our ownership limit contained in our charter may be ineffective to preserve our REIT status.

In order for us to qualify as a REIT for each taxable year, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year (the "5/50 Rule"). Individuals for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to preserve our REIT qualification, our charter generally prohibits (i) any member of the Agree-Rosenberg Group from directly or indirectly owning more than 24% of the value of our outstanding stock and (ii) any other person from directly or indirectly owning more than 9.8% of the value of our outstanding common stock and preferred stock, subject to certain exceptions. Because of the way our ownership limit is written, including because of the limit on persons other than a member of the Agree-Rosenberg Group is not less

than 9.8%, our charter limitation may be ineffective to ensure that we do not violate the 5/50 Rule.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Internal Revenue Code substantially limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute qualifying income for purposes of income tests that apply to us as a REIT. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of the income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRSs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our properties consist of 61 freestanding net leased properties and 12 community shopping centers that, as of December 31, 2009, were 98.1% leased, with a weighted average lease term of 10.3 years. Approximately 89% of our annualized base rent was attributable to national retailers. Among these retailers are Walgreen, Borders and Kmart which, at December 31, 2009, collectively represented approximately 70% of our annualized base rent. A majority of our properties were built for or are leased to national tenants who require a high quality location with strong retail characteristics. We developed 48 of our 61 freestanding properties and all 12 of our community shopping centers. Properties we have developed (including our community shopping centers) account for approximately 84% of our annualized base rent as of December 31, 2009. Our 61 freestanding properties are comprised of 60 retail locations and Borders' corporate headquarters. See Notes 4 and 5 to the Consolidated Financial Statements included herein for information regarding mortgage debt and other debt related to our properties.

A substantial portion of our income consists of rent received under net leases. A majority of our leases provide for the payment of fixed base rentals monthly in advance and for the payment by tenants of a pro rata share of the real estate taxes, insurance, utilities and common area maintenance of the shopping center as well as payment to us of a percentage of the tenant's sales. We received percentage rents of $15,366, $15,396 and $37,111 for the fiscal years 2009, 2008 and 2007, respectively. Included in those amounts were percentage rents from Kmart of $-0-, $-0- and $10,221 for fiscal years 2009, 2008 and 2007, respectively. Leases with Borders do not contain percentage rent provisions. Leases with Walgreen do contain percentage rent provisions; however, no percentage rent was received from Walgreen during these periods. Some of our leases require us to make roof and structural repairs, as needed.

Development and Acquisition Summary

During 2009, we completed the following developments and redevelopments:

Tenant(s)	Location	Cost
Walgreen (drug store)	Brighton, Michigan	$4.2 million
Walgreen (drug store)	Silver Spring Shores, Florida	$4.5 million
Walgreen (drug store)	Port St John, Florida	$4.7 million
Walgreen (drug store)	Lowell, Michigan	$2.8 million
Chase (retail bank)	Southfield, Michigan	$1.3 million

17

During 2009, we commenced the following developments:

Tenant(s)	Location	Budgeted Cost	Anticipated Completion
Walgreen (drug store)	Ann Arbor, Michigan	$3.3 million	Third quarter 2010
Walgreen (drug store)	St Augustine Shores, Florida	$3.5 million	Fourth quarter 2010
Walgreen (drug store)	Atlantic Beach, Florida	$3.5million	Third quarter 2010

We did not complete or commence any acquisitions in 2009. We did not sell any properties in 2009.

Major Tenants

The following table sets forth certain information with respect to our major tenants:

	Number of Leases	Annualized Base Rent as of December 31, 2009	Percent of Total Annualized Base Rent as of December 31, 2009
Walgreen	28	$ 10,246,099	30%
Borders	18	9,938,796	29
Kmart	12	3,847,911	11
Total	58	$ 24,032,806	70%

Walgreen is a leader of the U.S. chain drugstore industry and trades on the New York Stock Exchange under the symbol “WAG”. Walgreen operated 7,496 locations in 50 states, the District of Columbia, Puerto Rico and Guam and had total assets of approximately $25.1 billion as of August 31, 2009. As of February 10, 2010, Walgreen’s long-term debt had a Standard and Poor’s rating of A+ and a Moody’s rating of A2 . For its fiscal year ended August 31, 2009, Walgreen reported that its annual net sales were $63.3 billion, its annual net income was $2.0 billion and it had stockholders’ equity of $14.4 billion.

Borders trades on the New York Stock Exchange under the symbol “BGP”. Borders is the second largest operator of book, music and movie superstores and the largest operator of mall-based bookstores in the world based upon both sales and number of stores. At January 31, 2009, Borders operated 518 superstores under the Borders name, including 515 in the United States. Borders also operated 386 mall-based and other bookstores, including stores operated under the Waldenbooks, Borders Express and Borders Outlet names as well as Borders-branded airport stores. Borders employed approximately 25,600 people worldwide as of such date. Borders has reported that its annual revenues for its 2008 fiscal year ended January 31, 2009 were approximately $3.3 billion, its annual net (loss) for 2008 was approximately ($187 million) and its total stockholders’ equity at fiscal year end 2008 was approximately of $263 million.

Kmart is a mass merchandising company that offers customers quality products through a portfolio of brands and labels. As of October 31, 2009, Kmart operated approximately 1,380 stores across 49 states, Guam, Puerto Rico and the U.S. Virgin Islands. Kmart is a wholly-owned subsidiary of Sears Holdings Corporation (“Sears”), which trades on the Nasdaq stock market under the symbol “SHLD”. Sears is a broadline retailer with approximately 2,300 full-line and 1,200 specialty retail stores in the United States operating through Kmart and Sears and approximately 380 full-line and specialty retail stores in Canada operating through Sears Canada, Inc. (“Sears Canada”), a 70%-owned subsidiary. As of October 31, 2009, Sears had total assets of $27.1 billion, total liabilities of $17.8 billion and stockholders equity of $9.3 billion. All of our Kmart properties are in the traditional Kmart format and these Kmart properties average 85,000 square feet per property.

18

The financial information set forth above with respect to Walgreen, Borders and Kmart was derived from the annual reports on Form 10-K filed by Borders and Walgreen with the SEC with respect to their 2008 fiscal years and the quarterly report on form 10-Q filed by Sears Holdings Corporation with the SEC with respect to the third quarter of 2009. Additional information regarding Borders, Walgreen or Kmart may be found in their respective public filings. These filings can be accessed at www.sec.gov. We are unable to confirm, and make no representations with respect to, the accuracy of these reports and therefore you should not place undue reliance on such information as it pertains to our operations.

Location of Properties in the Portfolio

State	Number of Properties	Total Gross Leasable Area (Sq. feet)	Percent of GLA Leased on December 31, 2009
California	1	38,015	100%
Florida	7	298,458	89
Georgia	1	14,820	100
Illinois	1	20,000	90
Indiana	2	15,844	100
Kansas	2	45,000	100
Kentucky	1	116,212	100
Maryland	2	53,000	100
Michigan	42	2,126,184	99
Nebraska	2	55,000	100
New Jersey	1	10,118	100
New York	2	27,626	100
Ohio	1	21,000	100
Oklahoma	4	99,282	100
Pennsylvania	1	28,604	100
Wisconsin	3	523,036	98
Total/Average	73	3,492,199	98%

Lease Expirations

The following table shows lease expirations for our community shopping centers and wholly-owned freestanding properties, assuming that none of the tenants exercise renewal options.

	December 31, 2009				
		Gross Leasable Area		Annualized Base Rent	
Expiration Year	Number of Leases Expiring	Square Footage	Percent of Total	Amount	Percent of Total
2010	9	182,100	5.3%	$ 1,017,912	3.0%
2011	23	136,636	4.0%	1,110,428	3.2%
2012	28	267,986	7.8%	1,375,067	4.0%
2013	20	314,713	9.2%	1,662,241	4.8%
2014	9	190,458	5.6%	985,856	2.9%
2015	18	768,841	22.4%	5,443,351	15.8%
2016	7	124,841	3.6%	1,922,928	5.6%

19

	December 31, 2009				
	Gross Leasable Area			Annualized Base Rent	
Expiration Year	Number of Leases Expiring	Square Footage	Percent of Total	Amount	Percent of Total
2017	4	30,844	0.9%	351,995	1.0%
2018	13	249,732	7.3%	4,396,756	12.8%
2019	6	70,170	2.0%	1,741,879	5.1%
Thereafter	41	1,090,336	31.9%	14,341,431	41.8%
Total	178	3,426,657	100.0%	$ 34,349,844	100.0%

We have made preliminary contact with the nine tenants whose leases expire in 2010. Of those tenants, three tenants, at their option, have the right to extend their lease term and six tenants have leases expiring in 2010. We expect two tenants, to terminate their leases in 2010 and seven tenants to extend their leases or enter into lease extensions.

Annualized Base Rent of our Properties

The following is a breakdown of base rents in place at December 31, 2009 for each type of retail tenant:

Type of Tenant	Annualized Base Rent	Percent of Annualized Base Rent
National(1)	$ 30,614,320	89%
Regional(2)	2,659,992	8
Local	1,075,532	3
Total	$ 34,349,844	100%

(1) Includes the following national tenants: Walgreen, Borders, Kmart, Wal-Mart, Fashion Bug, Rite Aid, JC Penney, Avco Financial, GNC Group, Radio Shack, Super Value, Maurices, Payless Shoes, Blockbuster Video, Family Dollar, H&R Block, Sally Beauty, Jo Ann Fabrics, Staples, Best Buy, Dollar Tree, TGI Friday's and Pier 1 Imports.

(2) Includes the following regional tenants: Roundy's Foods, Meijer, Dunham's Sports, Christopher Banks and Beall's Department Stores.

Freestanding Properties

At December 31, 2009, our 61 of freestanding properties were leased to Walgreen (27), Borders (18), Rite Aid (7), Kmart (2), JP Morgan Chase (1), Fajita Factory (1), Citizens Bank (1), Lake Lansing RA Associates, LLC (1), Meijer (1), Wal-Mart (Sam's Club) (1). Our freestanding properties provided $24,264,289, or approximately 70.6%, of our annualized base rent as of December 31, 2009, at an average base rent per square foot of $14.90. These properties contain, in the aggregate, 1,629,543 square feet of GLA or approximately 46.7% of our total GLA as of December 31, 2009. Our freestanding properties tend to have high traffic counts, are generally located in densely populated areas and are leased to a single tenant on a long term basis. Of our 61 freestanding properties, 48 were developed by us. As of December 31, 2009, we had one vacant free standing property. Our freestanding properties had a weighted average lease term of 12.6 years as of December 31, 2009.

Our freestanding properties range in size from 4,426 to 458,729 square feet of GLA and are located in the following states: California (1), Florida (6), Georgia (1), Indiana (2), Kansas (2), Maryland (2), Michigan (36), Nebraska (2),

New Jersey (1), New York (2), Ohio (1), Oklahoma (4) and Pennsylvania (1).

Freestanding Properties

Tenant	Location	Year Completed/ Expanded	Total GLA	Lease Expiration(2) (Option expiration)
Borders (1)	Aventura, FL	1996	30,000	Jan 31, 2016 (2036)
Borders	Columbus, OH	1996	21,000	Jan 23, 2016 (2036)
Borders	Monroeville, PA	1996	28,604	Nov 8, 2016 (2036)
Borders	Norman, OK	1996	24,641	Sep 20, 2016 (2036)
Borders (8)	Omaha, NE	1995	30,000	Nov 3, 2015 (2035)
Borders	Santa Barbara, CA	1995	38,015	Nov 17, 2015 (2035)
Borders (8)	Wichita, KS	1995	25,000	Nov 10, 2015 (2035)
Borders (8)	Lawrence, KS	1997	20,000	Oct 16, 2022 (2042)
Borders	Tulsa, OK	1998	25,000	Sep 30, 2018 (2038)
Borders (8)	Oklahoma City, OK	2002	24,641	Jan 31, 2018 (2038)
Borders (8)	Omaha, NE	2002	25,000	Jan 31, 2018 (2038)
Borders (8)	Indianapolis, IN	2002	15,844	Dec 31, 2017 (2038)
Borders (8)	Columbia, MD	1999	28,000	Jan 31, 2018 (2038)
Borders (8)	Germantown, MD	2000	25,000	Jan 31, 2018 (2038)
Borders Headquarters (8)	Ann Arbor, MI	1996/1998	458,729	Jan 29, 2023 (2043)
Borders	Tulsa, OK	1996	25,000	Sep 30, 2018 (2038)
Borders (8)	Boynton Beach, FL	1996	20,745	July 20, 2024 (2044)
Borders (8)	Ann Arbor, MI	1996	110,000	Jan 31, 2025 (2045)
Citizens Bank	Flint, MI	2003	4,426	Apr 15, 2023
Rite Aid (8)	Webster, NY	2004	13,813	Feb 24, 2024 (2044)
Rite Aid (8)	Albion, NY	2004	13,813	Oct 12, 2024 (2044)
Fajita Factory	Lansing, MI	2004	Note (3)	Aug 31, 2014 (2032)
Lake Lansing RA Associates, LLC	East Lansing, MI	2004	Note (4)	Dec 31, 2028 (2078)
Kmart	Grayling, MI	1984	52,320	Sep 30, 2009 (2059)
Kmart	Oscoda, MI	1984/1990	90,470	Sep 30, 2009 (2059)
Meijer	Plainfield, IN	2007	Note (5)	Nov 5, 2027 (2047)
Rite Aid (8)	Canton Twp, MI	2003	11,180	Oct 31, 2019 (2049)
Rite Aid (8)	Roseville, MI	2005	11,060	June 30, 2025 (2050)
Rite Aid	Mt Pleasant, MI	2005	11,095	Nov 30, 2025 (2065)
Rite Aid	N Cape May, NJ	2005	10,118	Nov 30, 2025 (2065)
Rite Aid (8)	Summit Twp, MI	2006	11,060	Oct 31, 2019 (2039)
Sam’s Club	Roseville, MI	2002	Note (6)	Aug 4, 2022 (2082)
Walgreen (8)	Waterford, MI	1997	13,905	Feb 28, 2018 (2058)
Walgreen (8)	Chesterfield, MI	1998	13,686	July 31, 2018 (2058)
Walgreen (8)	Pontiac, MI	1998	13,905	Oct 31, 2018 (2058)
Walgreen (8)	Grand Blanc, MI	1998	13,905	Feb 28, 2019 (2059)
Walgreen (8)	Rochester, MI	1998	13,905	June 30, 2019 (2059)
Walgreen (8)	Ypsilanti, MI	1999	15,120	Dec 31, 2019 (2059)
Walgreen (1) (8)	Petoskey, MI	2000	13,905	Apr 30, 2020 (2060)
Walgreen (8)	Flint, MI	2000	14,490	Dec 31, 2020 (2060)

21

Tenant	Location	Year Completed/ Expanded	Total GLA	Lease Expiration(2) (Option expiration)
Walgreen (8)	Flint, MI	2001	15,120	Feb 28, 2021 (2061)
Walgreen (8)	N Baltimore, MI	2001	14,490	Aug 31, 2021 (2061)
Walgreen (8)	Flint, MI	2002	14,490	Apr 30, 2027 (2077)
Walgreen	Big Rapids, MI	2003	13,560	Apr 30, 2028 (2078)
Walgreen (8)	Flint, MI	2004	14,560	Feb 28, 2029 (2079)
Walgreen (8)	Flint, MI	2004	13,650	Oct 31, 2029 (2079)
Walgreen	Midland, MI	2005	14,820	July 31, 2030 (2080)
Walgreen (8)	Grand Rapids, MI	2005	14,820	Aug 30, 2030 (2080)
Walgreen (8)	Delta Township, MI	2005	14,559	Nov 30, 2030 (2080)
Walgreen and Retail space (8)	Livonia, MI	2007	19,390	June 30, 2032 (2082)
Walgreen	Barnesville, GA	2007	14,820	Nov 30, 2032 (2082)
Walgreen and Chase Bank (8)	Macomb Township, MI	2008	14,820	Mar 31, 2033 (2083)
Walgreen	Ypsilanti, MI	2008	13,650	Mar 31, 2032 (2082)
Walgreen	Marion County, FL	2008	14,820	Apr 30, 2032 (2082)
Walgreen (1) (8)	Shelby Township, MI	2008	14,820	Jul 31, 2033 (2083)
Walgreen	Brighton, MI	2009	14,550	Jan 31, 2034 (2084)
Walgreen	Silver Springs Shores, FL	2009	14,550	Dec 31, 2033 (2083)
Walgreen	Port St John, FL	2009	14,550	Apr 30, 2034 (2084)
Walgreen	Lowell, MI	2009	13,650	Sep 30, 2034 (2084)
Chase Bank	Southfield, MI	2009	Note (7)	Oct 31, 2029 (2059)
Vacant space	Boynton Beach, FL		32,459	
Total			1,629,543	

(1) Properties subject to long-term ground leases where a third party owns the underlying land and has leased the land to us to construct or operate freestanding properties. We pay rent for the use of the land and we are generally responsible for all costs and expenses associated with the building and improvements. At the end of the lease terms, as extended (Aventura, FL 2036, Petoskey, MI 2074 and Shelby Township, MI 2084), the land together with all improvements revert to the land owner. We have an option to purchase the Petoskey property after August 7, 2019 and the Shelby property after July 5, 2018.

(2) At the expiration of tenant's initial lease term, each tenant (except Citizens Bank) has an option, subject to certain requirements, to extend its lease for an additional period of time.

(3) This 2.03 acre property is leased from us by Fajita Factory, LLC pursuant to a ground lease. The tenant occupies a 5,448 square foot building.

(4) This 11.3 acre property is leased from us by Lake Lansing RA Associates, LLC pursuant to a ground lease. The land owner has constructed a 14,564 square foot building.

(5) This 32.5 acre property is leased from us by Meijer pursuant to a ground lease. Meijer expects to construct an estimated 210,000 square foot super center.

(6) This 12.68 acre property is leased from us by Wal-Mart pursuant to a ground lease. Wal-Mart has constructed a Sam's Club retail building containing approximately 132,332 square feet.

(7) This 1.0 acre property is leased from us by JP Morgan Chase Bank pursuant to a ground lease. JP Morgan Chase has constructed a retail bank branch containing approximately 4,270 square feet.

(8) Properties subject to a mortgage/debt or pledged pursuant to our credit facilities

Community Shopping Centers

Our 12 community shopping centers range in size from 20,000 to 241,458 square feet of GLA. The community shopping centers are located in five states as follows: Florida (1), Illinois (1), Kentucky (1), Michigan (6) and Wisconsin (3). Our community shopping centers tend to be located in high traffic, market dominant centers in which customers of our tenants purchase day-to-day necessities. Our community shopping centers are anchored by national tenants.

The location, general character and primary occupancy information with respect to the community shopping centers as of December 31, 2009 are set forth below:

Property Location	Location	Year Completed/ Expanded	Gross Leasable Area Sq. Ft.	Annualized Base Rent (2)	Average Base Rent per Sq. Ft.(3)	Percent Occupied at December 31, 2009	Percent Leased at December 31, 2009 (4)	Anchor Tenants (Lease expiration/Option period expiration) (5)
Capital Plaza,(1)	Frankfort, KY	1978/ 2006	116,212	$ 587,000	$ 5.05	100%	100%	Kmart(2013/2053) Walgreen (2031/2052)
Charlevoix Commons	Charlevoix, MI	1991	137,375	686,495	5.00	100%	100%	Kmart (2015/2065) Roundy’s (2011) Family Farm (2016)
Chippewa Commons (6)	Chippewa Falls, WI	1991	168,311	979,023	5.82	100%	100%	Kmart (2014/2064) Roundy’s (2010/2030) Fashion Bug (2011/2021)
Ironwood Commons	Ironwood, MI	1991	185,535	907,793	5.01	98%	98%	Kmart (2015/2065) Super Value (2011/2036) Fashion Bug (2011/2021)
Marshall Plaza	Marshall, MI	1990	119,279	690,959	5.79	100%	100%	Kmart (2015/2065)
Central Michigan Commons	Mt. Pleasant, MI	1973/ 1997	241,458	988,562	5.03	96%	96%	Kmart (2008/2048) J.C. Penney Co. (2010/2020) Staples, Inc. (2010/2025)
North Lakeland Plaza (6)	Lakeland, FL	1987	171,334	1,301,574	7.68	99%	99%	Best Buy (2013/2028) Beall’s (2020/2035)
Petoskey Town Center (6)	Petoskey, MI	1990	174,870	1,031,073	5.95	99%	99%	Kmart (2015/2065)

								Roundy's (2010/2030) Fashion Bug (2012/2022)
Plymouth Commons	Plymouth, WI	1990	162,031	792,369	5.09	96%	96%	Kmart (2015/2065) Roundy's (2015/2030)
Ferris Commons	Big Rapids, MI	1990	173,557	1,013,336	5.98	98%	98%	Kmart (2015/2065) MC Sports (2018/2033) Peebles (2019/2039)
Shawano Plaza (6)	Shawano, WI	1990	192,694	983,371	5.21	98%	98%	Kmart (2014/2064) Roundy's (2015/2030) J.C. Penney Co. (2010/2025) Fashion Bug (2010/2021)
West Frankfort Plaza	West Frankfort, IL	1982	20,000	124,000	6.89	90%	90%	Fashion Bug (2012)
Total/Average			1,862,656	$ 10,085,555	$ 5.51	98%	98%	

(1) All community shopping centers except Capital Plaza (which is subject to a long-term ground lease expiring in 2053 from a third party) are wholly-owned by us.

(2) Total annualized base rents of our Company as of December 31, 2009.

(3) Calculated as total annualized base rents, divided by gross leaseable area actually leased as of December 31, 2009.

(4) Roundy's has sub-leased the space it leases at Charlevoix Commons (35,896 square feet, rented at a rate of $5.97 per square foot). The lease with Roundy's will expire on December 31, 2011. We have entered into a lease with Family Farm and Home, Inc (the Roundy's sub-tenant). The Family Farm lease commences January 1, 2012, has a term of 5 years and a rental rate of $2.00 per square foot.

(5) The option to extend the lease beyond its initial term is only at the option of the tenant.

(6) Properties subject to a mortgage/debt or pledged pursuant to our credit facilities.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings in the ordinary course of business. We are not presently involved in any litigation nor, to our knowledge, is any other litigation threatened against us, other than routine litigation arising in the ordinary course of business, which is expected to be covered by our liability insurance and all of which collectively is not expected to have a material adverse effect on our liquidity, results of operations or business or financial condition.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol "ADC". The following table sets forth the high and low closing prices of our common stock, as reported on the New York Stock Exchange, and the dividends declared per share of common stock by us for each calendar quarter in the last two fiscal years. Dividends were paid in the periods immediately subsequent to the periods in which such dividends were declared.

Quarter Ended	High	Low	Dividends Declared Per Common Share
March 31, 2009	$ 19.32	$ 9.31	$ 0.50
June 30, 2009	$ 18.66	$ 14.89	$ 0.50
September 30, 2009	$ 24.61	$ 17.10	$ 0.51
December 31, 2009	$ 24.94	$ 21.01	$ 0.51
March 31, 2008	$ 31.02	$ 26.74	$ 0.50
June 30, 2008	$ 29.14	$ 21.48	$ 0.50
September 30, 2008	$ 29.25	$ 23.05	$ 0.50
December 31, 2008	$ 27.49	$ 9.48	$ 0.50

On March 3, 2010, the reported closing sale price per share of common stock on the New York Stock Exchange was $21.27.

At February 26, 2010, there were 8,271,464 shares of our common stock issued and outstanding which were held by approximately 200 stockholders of record. The number of stockholders of record does not reflect persons or entities who held their shares in nominee or “street” name. In addition, at December 31, 2009 there were 347,619 Operating Partnership units outstanding held by limited partners other than our Company. The units are exchangeable into shares of common stock on a one for one basis.

For 2009, we paid $2.02 per share of common stock in dividends. Of the $2.02, 100.0% represented ordinary income, and 0.0% represented return of capital, for tax purposes. For 2008, we paid $2.00 per share of common stock in dividends. Of the $2.00, 98.0% represented ordinary income, and 2.0% represented return of capital, for tax purposes.

We intend to continue to declare quarterly dividends to our stockholders. However, our distributions are determined by our board of directors and will depend on a number of factors, including the amount of our funds from operations, the financial and other condition of our properties, our capital requirements, restrictions in our debt instruments, our annual distribution requirements under the provisions of the Internal Revenue Code applicable to REITs and such other factors as our board of directors deems relevant. We have historically paid cash dividends, although we may choose to pay a portion in stock dividends in the future. To qualify as a REIT, we must distribute at least 90% of our REIT taxable income prior to net capital gains to our stockholders, as well as meet certain other requirements. We must pay these distributions in the taxable year the income is recognized, or in the following taxable year if they are declared during the last three months of the taxable year, payable to stockholders of record on a specified date during such period and paid during January of the following year. Such distributions are treated as paid by us and received by our stockholders on December 31 of the year in which they are declared. In addition, at our election, a distribution for a taxable year may be declared in the following taxable year if it is declared before we timely file our tax return for such year and if paid on or before the first regular dividend payment after such declaration. These distributions qualify as dividends paid for the 90% REIT distribution test for the previous year and are taxable to holders of our capital stock in the year in which paid.

During the year ended December 31, 2009, we did not sell any unregistered securities. During the fourth quarter of 2009, we did not repurchase any of our equity securities.

For information about our equity compensation plan, please see Part III, Item 12 of this report.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected financial information on a historical basis and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and all of the financial statements and notes thereto included elsewhere in this Form 10-K. Certain amounts have been reclassified to conform to the current presentation of discontinued operations. The balance sheet for the periods ending December 31, 2005 through 2009 and operating data for each of the periods presented were derived from our audited financial statements.

Selected Financial Data
(in thousands, except per share, number of properties, and percentage leased information)

	Year Ended December 31,				
	2009	2008	2007	2006	2005
Operating Data					
Total Revenue	$ 37,260	$ 35,654	$ 34,468	$ 32,908	$ 31,579
Expenses					
Property Expense (1)	4,363	4,448	4,310	4,219	4,545
General and Administrative	4,559	4,361	4,462	4,019	4,191
Interest	4,635	5,179	4,896	4,625	4,159
Depreciation and Amortization	5,709	5,384	5,017	4,851	4,637
Total Expenses	19,266	19,372	18,685	17,714	17,532
Other Income (2)	-	-	1,044	-	6
Income Before Discontinued Operations	17,994	16,282	16,827	15,194	14,053
Gain on Sale of Asset From Discontinued Operations	-	-	-	-	2,654
Income From Discontinued Operations	-	-	-	-	486
Net Income	17,994	16,282	16,827	15,194	17,193
Less Net Income Attributable to Non-Controlling Interest	950	1,265	1,345	1,220	1,145
Net Income Attributable to Agree Realty Corporation	$ 17,044	$ 15,017	$ 15,482	$ 13,974	$ 16,048
Number of Properties	73	68	64	60	59
Number of Square Feet	3,492	3,439	3,385	3,355	3,363
Percentage Leased	98%	99%	99%	99%	99%
Per Share Data – Diluted					
Income Before Discontinued Operations	$ 2.14	$ 1.95	$ 2.01	$ 1.83	$ 1.72
Discontinued Operations	-	-	-	-	.42
Net Income	$ 2.14	$ 1.95	$ 2.01	$ 1.83	$ 2.14
Weighted Average of Common Shares Outstanding – Diluted	7,966	7,718	7,716	7,651	7,491

Cash Dividends	$ 2.02	$ 2.00	$ 1.97	$ 1.96	$ 1.96
Balance Sheet Data					
Real Estate (before accumulated depreciation)	$ 320,444	$ 311,343	$ 290,074	$ 268,248	$ 258,232
Total Assets	$ 261,789	$ 256,897	$ 239,348	$ 223,515	$ 223,460
Total Debt, including accrued interest	$ 104,814	$ 101,069	$ 82,889	$ 69,031	$ 68,504

(1) Property expense includes real estate taxes, property maintenance, insurance, utilities and land lease expense.

(2) Other income is composed of development fee income, gain on land sales, and equity in net income of unconsolidated entities.

(3) Net income per share has been computed by dividing the net income by the weighted average number of shares of common stock outstanding and the effect of dilutive securities outstanding.

ITEM 7.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We were established to continue to operate and expand the retail property business of our predecessor. We commenced our operations in April 1994. Our assets are held by and all operations are conducted through, directly or indirectly, the Operating Partnership, of which we are the sole general partner and held a 95.93% interest as of December 31, 2009. We are operating so as to qualify as a REIT for federal income tax purposes.

The following should be read in conjunction with the Consolidated Financial Statements of Agree Realty Corporation, including the respective notes thereto, which are included elsewhere in this Form 10-K.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued "Accounting Standards Update 2009-01 Topic 105-Generally Accepted Accounting Principles amendments based on Statement of Financial Accounting Standards No. 168-The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" ("ASU 2009-01"), "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162" ("SFAS 168"). ASU 2009-01, or the FASB Accounting Standards Codification ("Codification"), will become the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. On the effective date of ASU 2009-01, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. ASU 2009-01 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of the standard did not have a material impact on our consolidated financial position, results of operations, or cash flows.

Critical Accounting Policies

Critical accounting policies are those that are both significant to the overall presentation of our financial condition and results of operations and require management to make difficult, complex or subjective judgments. For example, significant estimates and assumptions have been made with respect to revenue recognition, capitalization of costs related to real estate investments, potential impairment of real estate investments, operating cost reimbursements, and taxable income.

Minimum rental income attributable to leases is recorded when due from tenants. Certain leases provide for additional percentage rents based on tenants' sales volumes. These percentage rents are recognized when determinable by us. In addition, leases for certain tenants contain rent escalations and/or free rent during the first several months of the lease term; however, such amounts are not material.

Real estate assets are stated at cost less accumulated depreciation. All costs related to planning, development and construction of buildings prior to the date they become operational, including interest and real estate taxes during the construction period, are capitalized for financial reporting purposes and recorded as property under development until construction has been completed. The viability of all projects under construction or development are regularly evaluated under applicable accounting requirements, including requirements relating to abandonment of assets or changes in use. To the extent a project, or individual components of the project, are no longer considered to have value, the related capitalized costs are charged against operations. Subsequent to completion of construction, expenditures for property maintenance are charged to operations as incurred, while significant renovations are capitalized. Depreciation of the buildings is recorded on the straight-line method using an estimated useful life of

forty years.

We evaluate real estate for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value and such excess carrying value is charged to income. The expected cash flows of a project are dependent on estimates and other factors subject to change, including (1) changes in the national, regional, and/or local economic climates, (2) competition from other shopping centers, stores, clubs, mailings, and the internet, (3) increases in operating costs, (4) bankruptcy and/or other changes in the condition of third parties, including tenants, (5) expected holding period, and (6) availability of credit. These factors could cause our expected future cash flows from a project to change, and, as a result, an impairment could be considered to have occurred.

Substantially all of our leases contain provisions requiring tenants to pay as additional rent a proportionate share of operating expenses ("operating cost reimbursements") such as real estate taxes, repairs and maintenance, insurance, etc. The related revenue from tenant billings is recognized in the same period the expense is recorded.

We have elected to be taxed as a REIT under the Internal Revenue Code, commencing with our 1994 tax year. As a result, we are not subject to federal income taxes to the extent that we distribute annually at lease 90% of our REIT taxable income to our stockholders and satisfy certain other requirements defined in the Internal Revenue Code.

We established TRS entities pursuant to the provisions of the REIT Modernization Act. Our TRS entities are able to engage in activities resulting in income that previously would have been disqualified from being eligible REIT income under the federal income tax regulations. As a result, certain activities of our Company which occur within our TRS entities are subject to federal and state income taxes. As of December 31, 2009 and 2008, we had accrued a deferred income tax amount of $705,000. In addition, we have recorded an income tax liability of $62,000 as of December 31, 2009.

Comparison of Year Ended December 31, 2009 to Year Ended December 31, 2008

Minimum rental income increased $1,307,000, or 4%, to $34,157,000 in 2009, compared to $32,850,000 in 2008. The increase was the result of the development of a Walgreen drug store and a bank land lease in Macomb Township, Michigan in March 2008, the development of a Walgreen drug store located in Ypsilanti, Michigan in May 2008, the development of a Walgreen drug store in Ocala, Florida in June 2008, the development of a Walgreen drug store in Shelby Township, Michigan in July 2008, the development of a Walgreen drug store in Silver Springs Shores, Florida in January 2009, the development of a Walgreen drug store in Brighton, Michigan in February 2009, the development of a Walgreen drug store in Port St John, Florida in June 2009, the development of a Walgreen drug store in Lowell, Michigan in September 2009 and the development of a Chase bank branch land lease in Southfield, Michigan in October 2009. Our revenue increases from these developments amounted to $1,694,000. In addition, rental income from our Big Rapids, Michigan shopping center increased by $182,000 as a result of redevelopment activities and rental income decreased ($569,000) as a result of the closing of a Circuit City store in Boynton Beach, Florida and other rental adjustments.

Operating cost reimbursements decreased $137,000, or 5%, to $2,647,000 in 2009, compared to $2,784,000 in 2008. Operating cost reimbursements decreased due to the net decrease in property operating expenses as explained below.

We earned development fee income of $410,000 in 2009 related to a project we have commenced in Oakland, California. There was no development fee income in 2008. We expect to earn development fee income in 2010.

Other income increased $26,000 to $30,000 in 2009, compared to $4,000 in 2008.

Real estate taxes increased $71,000, or 4%, to $1,938,000 in 2009 compared to $1,867,000 in 2008. The increase is the result of general assessment increases on the properties.

Property operating expenses (shopping center maintenance, snow removal, insurance and utilities) decreased $247,000, or 14%, to $1,566,000 in 2009 compared to $1,813,000 in 2008. The decrease was the result of a decrease in shopping center maintenance expenses of ($73,000); decreased snow removal costs of ($175,000); increased utility costs of $29,000; and decreased insurance costs of ($28,000) in 2009 versus 2008.

Land lease payments increased $92,000, or 12%, to $859,000 in 2009 compared to $767,000 for 2008. The increase is the result of our leasing of land for our Shelby Township, Michigan development.

General and administrative expenses increased $198,000, or 5%, to $4,559,000 in 2009 compared to $4,361,000 in 2008. The increase was primarily the result of increased dead deal costs related to property searches in Michigan and Florida and compensation related expenses. General and administrative expenses as a percentage of rental income remained at 13.3% for 2009 and 2008.

Depreciation and amortization increased $324,000, or 6%, to $5,709,000 in 2009 compared to $5,385,000 in 2008. The increase was the result the development and acquisition of four properties in 2008 and five properties in 2009.

Interest expense decreased $544,000, or 11%, to $4,635,000 in 2009, from $5,179,000 in 2008. The decrease in interest expense resulted from substantial reductions in interest rates in 2009 as compared to 2008.

Our net income increased $1,712,000, or 11%, to $17,994,000 in 2009, from $16,282,000 in 2008 as a result of the foregoing factors.

Comparison of Year Ended December 31, 2008 to Year Ended December 31, 2007

Minimum rental income increased $1,214,000, or 4%, to $32,850,000 in 2008, compared to $31,636,000 in 2007. The increase was the result of the development of a Walgreen drug store in Livonia, Michigan in June 2007, the development of a Walgreen drug store in Barnesville, Georgia in October 2007, the development of a parcel of land located in East Lansing, Michigan in November 2007, the development of a parcel of land located in Plainfield, Indiana in November 2007, the development of a Walgreen drug store and a bank land lease in Macomb Township, Michigan in March 2008, the development of a Walgreen drug store located in Ypsilanti, Michigan in May 2008, the development of a Walgreen drug store in Ocala, Florida in June 2008 and the development of a Walgreen drug store in Shelby Township, Michigan in July 2008. Our revenue increases from these developments amounted to $2,010,000. Our increase in rental income was partially offset by a lease termination payment related to our Big Rapids, Michigan shopping center that was received in 2007 of ($608,000), a reduction in rental of income related to our redevelopment of our Big Rapids, Michigan shopping center of ($143,000) and a reduction of rent at our only Circuit City store of ($56,000).

Percentage rents decreased $22,000, or 59%, to $15,000 in 2008, compared to $37,000 in 2007. The decrease was primarily the result of decreased tenant sales.

Operating cost reimbursements increased $25,000, or 1%, to $2,784,000 in 2008, compared to $2,759,000 in 2007. Operating cost reimbursements increased due to the increase in property operating expenses as explained below.

Other income decreased $31,000 to $4,000 in 2008, compared to $35,000 in 2007.

Real estate taxes increased $18,000, or 1%, to $1,867,000 in 2008 compared to $1,849,000 in 2007. The increase is the result of general assessment increases on the properties.

Property operating expenses (shopping center maintenance, snow removal, insurance and utilities) increased $28,000, or 2%, to $1,813,000 in 2008 compared to $1,785,000 in 2007. The increase was the result of a decrease in shopping center maintenance expenses of ($64,000); increased snow removal costs of $68,000; increased utility costs of $29,000; and decreased insurance costs of ($5,000) in 2008 versus 2007.

Land lease payments increased $91,000, or 14%, to $767,000 in 2008 compared to $676,000 for 2007. The increase is the result of our leasing of land for our Shelby Township, Michigan development.

General and administrative expenses decreased $101,000, or 2%, to $4,361,000 in 2008 compared to $4,462,000 in 2007. The decrease was the result of an increase in compensation related expenses of $58,000; decreased contracted services to investigate development opportunities of ($165,000) and increased property management related expenses of $6,000. General and administrative expenses as a percentage of rental income decreased from 14.1% for 2007 to 13.3% for 2008.

Depreciation and amortization increased $368,000, or 7%, to $5,385,000 in 2008 compared to $5,017,000 in 2007. The increase was the result of the development and acquisition of four properties in 2008 and four properties in 2007.

Interest expense increased $283,000, or 6%, to $5,179,000 in 2008, from $4,896,000 in 2007. The increase in interest expense was the result of increased borrowings to fund the development and acquisition of four properties in 2008 and four properties in 2007.

In October 2007, we completed the sale of our interest in two contracts to acquire a 14.9 acre parcel of land to a national home improvement superstore. The transaction resulted in a gain of $1,044,000 net of deferred income taxes of $705,000. We established a TRS to facilitate this transaction. We elected to defer the recognition of the gain from the transaction for income tax purposes by making an election under Section 1031 of the Internal Revenue Code. There were no gains from property sales in 2008.

Our net income decreased $545,000, or 3%, to $16,282,000 in 2008, from $16,827,000 in 2007 as a result of the foregoing factors.

Liquidity and Capital Resources

Our principal demands for liquidity are operations, distributions to our stockholders, debt repayment, development of new properties, redevelopment of existing properties and future property acquisitions. We intend to meet our short-term liquidity requirements, including capital expenditures related to the leasing and improvement of the properties, through cash flow provided by operations and the Line of Credit and the Credit Facility (as defined below). We believe that adequate cash flow will be available to fund our operations and pay dividends in accordance with REIT requirements for at least the next 12 months. We may obtain additional funds for future development or acquisitions through other borrowings or the issuance of additional shares of common stock, although current market conditions have severely limited the availability of new sources of financing and capital, which will likely have an impact on our ability to obtain construction financing for planned new development projects in the near term. We believe that these financing sources will enable us to generate funds sufficient to meet both our short-term and long-term capital needs.

We intend to maintain a ratio of total indebtedness (including construction or acquisition financing) to market capitalization of 65% or less. Nevertheless, we may operate with debt levels which are in excess of 65% of market capitalization for extended periods of time. At December 31, 2009, our ratio of indebtedness to market capitalization was approximately 53%. This ratio decreased from 65% as of December 31, 2008 as a result of an increase in the market value of our common stock.

During the quarter ended December 31, 2009, we declared a quarterly dividend of $.51 per share. The cash dividend was paid on January 5, 2010 to holders of record on December 21, 2009.

Our cash flows from operations increased $1,650,000 to $23,580,000 in 2009, compared to $21,930,000 in 2008. Cash used in investing activities decreased $12,670,000 to $8,749,000 in 2009, compared to $21,419,000 in 2008. Cash used in financing activities increased $14,424,000 to $14,811,000 in 2009, compared to $387,000 in

2008. Our cash and cash equivalents increased by $20,000 to $689,000 as of December 31, 2009 as a result of the foregoing factors.

As of December 31, 2009, we had total mortgage indebtedness of $75,552,802. Of this total mortgage indebtedness, $51,398,837 is fixed rate, self-amortizing debt with a weighted average interest rate of 6.56% and the remaining mortgage debt of $24,153,965 has a maturity date of July 14, 2013, can be extended at our option for two additional years and bears interest at 150 basis points over LIBOR (or 1.74% as of December 31, 2009). The proceeds from this mortgage loan were used to reduce amounts outstanding under our Credit Facility (as defined below). In January 2009, we entered into an interest rate swap agreement that will fix the interest rate during the initial term of the mortgage at 3.744%.

In addition, the Operating Partnership has in place a $55 million credit facility (the "Credit Facility") with Bank of America, as the agent, which is guaranteed by our Company. The Credit Facility matures in November 2011. Advances under the Credit Facility bear interest within a range of one-month to 12-month LIBOR plus 100 basis points to 150 basis points or the lender's prime rate, at our option, based on certain factors such as the ratio of our indebtedness to the capital value of our properties. The Credit Facility generally is used to fund property acquisitions and development activities. As of February 15, 2010, $28,500,000 was outstanding under the Credit Facility bearing a weighted average interest rate of 1.23%.

We also have in place a $5 million line of credit (the "Line of Credit"), which matures in November 2011. The Line of Credit bears interest at the lender's prime rate less 75 basis points or 150 basis points in excess of the one-month to 12-month LIBOR rate, at our option. The purpose of the Line of Credit is to generally provide working capital and fund land options and start-up costs associated with new projects. As of February 15, 2010, $2,791,750 was outstanding under the Line of Credit bearing a weighted average interest rate of 2.50%.

The following table outlines our contractual obligations (in thousands) as of December 31, 2009:

	Total	Yr 1	2-3 Yrs	4-5 Yrs	Over 5 Yrs
Mortgages Payable	$ 75,553	$ 4,026	$ 8,879	$ 31,511	$ 31,137
Notes Payable	29,000	-	29,000	-	-
Land Lease Obligations	13,975	891	1,813	1,813	9,458
Other Long-Term Liabilities	-	-	-	-	-
Estimated Interest Payments on Mortgages and Notes Payable	18,624	3,830	6,547	4,044	4,203
Total	$ 137,152	$ 8,747	46,239	$ 37,368	$ 44,798

We have three development projects under construction that will add an additional 42,948 square feet to our portfolio. The projects are expected to be completed during the third quarter of 2010. Additional funding required to complete the projects is estimated to be $7,493,000, which is not reflected in the table above, and is expected to be provided by the Credit Facility.

We plan to begin construction of additional pre-leased developments and may acquire additional properties, which will initially be financed by the Credit Facility and Line of Credit. We will periodically refinance short-term construction and acquisition financing with long-term debt, medium term debt and/or equity.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet arrangements with unconsolidated entities or financial partnerships, such as structured finance or special purpose entities, that have or are reasonably likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources.

Inflation

Our leases generally contain provisions designed to mitigate the adverse impact of inflation on net income. These provisions include clauses enabling us to pass through to our tenants certain operating costs, including real estate taxes, common area maintenance, utilities and insurance, thereby reducing our exposure to cost increases and operating expenses resulting from inflation. Certain of our leases contain clauses enabling us to receive percentage rents based on tenants' gross sales, which generally increase as prices rise, and, in certain cases, escalation clauses,

which generally increase rental rates during the term of the leases. In addition, expiring tenant leases permit us to seek increased rents upon re-lease at market rates if rents are below the then existing market rates.

Funds from Operations

Funds From Operations ("FFO") is defined by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") to mean net income computed in accordance with GAAP, excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income by itself as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that use historical cost accounting is insufficient by itself.

FFO should not be considered as an alternative to net income as the primary indicator of our operating performance or as an alternative to cash flow as a measure of liquidity. Further, while we adhere to the NAREIT definition of FFO, our presentation of FFO is not necessarily comparable to similarly titled measures of other REITs due to the fact that not all REITS use the same definition.

The following table provides a reconciliation of FFO and net income for the years ended December 31, 2009, 2008 and 2007:

	Year ended December 31,		
	2009	2008	2007
Net income	$ 17,994,036	$ 16,282,038	$ 16,826,749
Depreciation of real estate assets	5,574,084	5,257,391	4,905,361
Amortization of leasing costs	65,977	58,771	50,868
Gain on sale of assets	-	-	(1,043,675)
Funds from operations	$ 23,634,097	$ 21,598,200	$ 20,739,303
Weighted average shares and OP Units outstanding			
Basic	8,396,597	8,364,366	8,328,418
Diluted	8,416,696	8,376,259	8,389,426

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk primarily through our borrowing activities. There is inherent roll-over risk for borrowings as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and our future financing requirements.

Our interest rate risk is monitored using a variety of techniques. The table below presents the principal payments (in thousands) and the weighted average interest rates on outstanding debt, by year of expected maturity, to evaluate the expected cash flows and sensitivity to interest rate changes.

	2010	2011	2012	2013	2014	Thereafter	Total
Fixed rate debt	$ 3,539	$ 3,779	$ 4,035	$ 4,308	$ 4,601	$ 31,137	$ 51,399
Average interest rate	6.56%	6.56%	6.56%	6.56%	6.56%	6.56%	-

Variable rate mortgage	$ 487	$ 517	$ 548	$ 22,602	-	-	$ 24,154
Average interest rate	3.74%	3.74%	3.74%	3.74%	-	-	
Variable rate debt	-	$ 29,000	-	-	-	-	$ 29,000
Average interest rate	-	1.26%	-	-	-	-	-

The fair value (in thousands) is estimated at $48,671, $22,434 and $29,000 for fixed rate mortgages, variable rate mortgage and other variable rate debt, respectively, as of December 31, 2009.

The table above incorporates those exposures that exist as of December 31, 2009; it does not consider those exposures or positions, which could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period and interest rates.

We entered into an interest rate swap agreement to hedge interest rates on $24.5 million in variable-rate borrowings outstanding. Under the terms of the interest rate swap agreement, we will receive from the counterparty interest on the notional amount based on 1.50% plus one-month LIBOR and will pay to the counterparty a fixed rate of 3.744%. This swap effectively converted $24.5 million of variable-rate borrowings to fixed-rate borrowings. As of December 31, 2009, the interest rate swap was valued at $74,753. We do not use derivative instruments for trading or other speculative purposes and we did not have any other derivative instruments or hedging activities as of December 31, 2009.

As of December 31, 2009, a 100 basis point increase in interest rates on the portion of our debt bearing interest at variable rates would result in an increase in interest expense of approximately $290,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data are listed in the Index to Financial Statements and Financial Statement Schedules appearing on Page F-1 of this Form 10-K and are included in this Form 10-K following page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act). Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a15-(f) and 15d-15(f) under the Securities Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of our principal executive officer and our principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, our management believes that we maintained effective internal control over financial reporting as of December 31, 2009.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of Independent Registered Public Accounting Firm

The attestation report required under this item is contained on page F-2 of this Form 10-K

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference to our definitive proxy statement with respect to our 2010 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to our definitive proxy statement with respect to our 2010 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table summarizes the equity compensation plan under which our common stock may be issued as of December 31, 2009.

34

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	–	–	731,066(1)
Equity compensation plans not approved by security holders	–	–	–
Total	–	–	731,066

(1) Relates to various stock-based awards available for issuance under our 2005 Equity Incentive Plan, including incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards, restricted stock awards, unrestricted stock awards, and dividend equivalent rights.

Additional information is incorporated herein by reference to our definitive proxy statement with respect to our 2010 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated herein by reference to our definitive proxy statement with respect to our 2010 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated herein by reference to our definitive proxy statement with respect to our 2010 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

15(a) The following documents are filed as part of this Report:

(1) The financial statements and supplementary data are listed in the Index to Financial Statements and Financial
(2) Statement Schedules appearing on Page F-1 of this Form 10-K.

(3) Exhibits

3.1 Articles of Incorporation and Articles of Amendment of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-11 (No. 33-73858), as amended

3.2 Articles Supplementary, establishing the terms of the Series A Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (No. 001-12928) filed on December 9, 2008)

3.3 Articles Supplementary, classifying additional shares of Common Stock and Excess Stock (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K (No. 001-12928) filed on December 9, 2008)

3.4 Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Form 10-K (No. 001-12928) for the year ended December 31, 2006)

4.1 Rights Agreement, dated as of December 7, 1998, by and between Agree Realty Corporation, a Maryland corporation, and Computershare Trust Company, N.A., f/k/a EquiServe Trust Company, N.A., a national banking association, as successor rights agent to BankBoston, N.A., a national banking association (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (No. 333-161520) filed on November 13, 2008)

4.2 Second Amendment to Rights Agreement, dated as of December 8, 2008, by and between Agree Realty Corporation, a Maryland corporation, and Computershare Trust Company, N.A., f/k/a EquiServe Trust Company, N.A., a national banking association, as successor rights agent to BankBoston, N.A., a national banking association (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K (No. 001-12928) filed on December 9, 2008)

4.3 Amended and Restated Registration Rights Agreement, dated July 8, 1994 by and among the Company, Richard Agree, Edward Rosenberg and Joel Weiner (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K (No. 001-12928) for the year ended December 31, 1994)

4.4 Form of certificate representing shares of common stock (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (No. 333-161520) filed on August 24, 2009

10.1 Amended and Restated $50 million Line of Credit agreement dated November 5, 2003, among Agree Realty Corporation, Standard Federal Bank and Bank One (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q (No. 001-12928) for the quarter ended September 30, 2003)

10.2 Third Amended and Restated Line of Credit Agreement by and between the Company, and LaSalle Bank Midwest National Association Individually and as Agent for the Lenders and together with Fifth Third Bank (incorporated by reference to Exhibit 10.28 to the Company's Form 10-K (No. 001-12928) for the year ended

December 31, 2006)

36

10.3 Amendment to the Third Amended and Restated Line of Credit Agreement dated April 25, 2008, by and between Agree Realty Corporation, Agree Limited Partnership and LaSalle Bank Midwest National Association, individually and as agent for the lenders and together with Fifth Third Bank. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2009)

10.4 Loan Agreement dated as of July 14, 2008 by and between Agree Limited Partnership, as Borrower, and The Financial Institutions party thereto, as Co-Lenders, and LaSalle Bank Midwest National Association, as Agent (incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q (No. 001-12928) for the quarter ended June 30, 2008)

10.5 Commercial Mortgage dated as of July 14, 2008 executed by Agree Limited Partnership to and for the benefit of LaSalle Bank Midwest National Association and Raymond James Bank, FSB (incorporated by reference to Exhibit 4.2 to the Company's Form 10-Q (No. 001-12928) for the quarter ended June 30, 2008)

10.6 Continuing Unconditional Guaranty dated as of July 14, 2008 by Agree Realty Corporation for the benefit of La Salle Bank Midwest National Association (incorporated by reference to Exhibit 4.3 to the Company's Form 10-Q (No. 001-12928) for the quarter ended June 30, 2008)

10.7 First Amended and Restated Agreement of Limited Partnership of Agree Limited Partnership, dated as of April 22, 1994, by and among the Company, Richard Agree, Edward Rosenberg and Joel Weiner (incorporated by reference to Exhibit 10.6 to the Company's Form 10-K (No. 001-12928) for the year ended December 31, 1996)

10.8 Contribution Agreement, dated as of April 21, 1994, by and among the Company, Richard Agree, Edward Rosenberg and the co-partnerships named therein (incorporated by reference to Exhibit 10.10 to the Company's Form 10-K (No. 001-12928) for the year ended December 31, 1996)

10.9+ Agree Realty Corporation Profit Sharing Plan (incorporated by reference to Exhibit 10.13 to the Company's Form 10-K (No. 001-12928) for the year ended December 31, 1996)

10.10+ Employment Agreement, dated July 14, 2009, by and between the Company and Richard Agree (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (No. 001-12928) filed on July 16, 2009)

10.11+ Employment Agreement, dated July 1, 2004, by and between the Company, and Kenneth R. Howe (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q (No. 001-12928) for the quarter ended June 30, 2004)

10.12+ Employment Agreement, dated January 10, 2000, by and between the Company, and David J. Prueter (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q (No. 001-12928) for the quarter ended March 31, 2000)

10.13+ Employment Agreement, dated July 14, 2009, by and between the Company and Joey Agree (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (No. 001-12928) filed on July 16, 2009)

10.14+ 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.25 to the Company's Form 10-K (No. 001-12928) for the year ended December 31, 2004)

10.15+ Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.9 to the Company's Form 10-K (No. 001-12928) for the year ended December 31, 2007)

37

10.16+	Summary of Director Compensation (incorporated by reference to Exhibit 10.10 to the Company's Form 10-K (No. 001-12928) for the year ended December 31, 2007)
12.1*	Statement of computation of ratios of earnings to combined fixed charges and preferred stock dividends
21*	Subsidiaries of Agree Realty Corporation
23*	Consent of Baker Tilly Virchow Krause, LLP
24	Power of Attorney (included on the signature page of this Annual Report on Form 10-K)
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Richard Agree, President, Chief Executive Officer and Chairman of the Board of Directors
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Kenneth R. Howe, Vice President, Finance
32.1*	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Richard Agree, President, Chief Executive Officer and Chairman of the Board of Directors
32.2*	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Kenneth R. Howe, Vice President, Finance

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*	Filed herewith
+	Management contract or compensatory plan or arrangement

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, the registrant has not filed debt instruments relating to long-term debt that is not registered and for which the total amount of securities authorized thereunder does not exceed 10% of total assets of the registrant and its subsidiaries on a consolidated basis as of December 31, 2009. The registrant agrees to furnish a copy of such agreements to the SEC upon request.

15(b) The Exhibits listed in Item 15(a)(3) are hereby filed with this Report.

15(c) The financial statement schedule listed at Item 15(a)(2) is hereby filed with this Report.

SIGNATURES

PURSUANT to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AGREE REALTY CORPORATION	
By:	/s/ Richard Agree
Name:	Richard Agree Chief Executive Officer and Chairman of the Board of Directors
Date:	March 12, 2010

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of Agree Realty Corporation, hereby severally constitute Richard Agree, Joel N. Agree and Kenneth R. Howe, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Form 10-K filed herewith and any and all amendments to said Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable Agree Realty Corporation to comply with the provisions of the Securities Exchange Act of 1934, as amended and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Form 10-K and any and all amendments thereto.

PURSUANT to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 12th day of March 2010.

By: /s/ Richard Agree
Richard Agree
Chief Executive Officer and Chairman of the Board of Directors
(Principal Executive Officer)

By: /s/ Joel N. Agree
President, Chief Operating Officer and Director

By: /s/ Kenneth R. Howe
Kenneth R. Howe
Vice President, Finance and Secretary
(Principal Financial and Accounting Officer)

By: /s/ Farris G. Kalil
Farris G. Kalil
Director

By: /s/ Michael Rotchford
Michael Rotchford
Director

By: /s/William S. Rubenfaer
William S. Rubenfaer
Director

By: /s/ Gene Silverman
Gene Silverman
Director

By: /s/ Leon M. Schurgin
Leon M. Schurgin
Director

39

	Page
Reports of Independent Registered Public Accounting Firm	F-2
Financial Statements	
Consolidated Balance Sheets	F-3
Consolidated Statements of Income	F-5
Consolidated Statements of Stockholders' Equity	F-6
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-9
Schedule III - Real Estate and Accumulated Depreciation	F-24

Report of Independent Registered Public Accounting Firm

To the Stockholders, Audit Committee and Board of Directors
Agree Realty Corporation
Farmington Hills, MI

We have audited the accompanying consolidated balance sheets of Agree Realty Corporation as of December 31, 2009 and 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for the years ended December 31, 2009, 2008 and 2007. We also have audited Agree Realty Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Agree Realty Corporation as of December 31, 2009 and 2008 and the results of their operations and cash flows for the years ended December 31, 2009, 2008 and 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Agree Realty Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control -

Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ Baker Tilly Virchow Krause, LLP
Chicago, Illinois
March 12, 2010

Agree Realty Corporation

Consolidated Balance Sheets

December 31,	2009	2008
Assets		
Real Estate Investments (Notes 4 and 5)		
Land	$ 95,047,459	$ 87,309,289
Buildings	220,604,734	210,650,491
Property under development	4,791,975	13,383,102
	320,444,168	311,342,882
Less accumulated depreciation	(64,076,469)	(58,502,384)
Net Real Estate Investments	256,367,699	252,840,498
Cash and Cash Equivalents	688,675	668,677
Accounts Receivable - Tenants, (Note 3) net of allowance of $35,000and $195,000 for possible losses at December 31, 2009 and 2008, respectively	1,986,836	964,802
Unamortized Deferred Expenses		
Financing costs, net of accumulated amortization of $5,126,333 and $4,838,098 at December 31, 2009 and 2008, respectively	1,360,514	951,745
Leasing costs, net of accumulated amortization of $841,427 and $775,450 at December 31, 2009 and 2008, respectively	537,100	484,781
Other Assets	847,894	986,332
Total Assets	$ 261,788,718	$ 256,896,835

See accompanying notes to consolidated financial statements.

Agree Realty Corporation

Consolidated Balance Sheets

December 31,	2009	2008
Liabilities		
Mortgages Payable (Note 4)	$ 75,552,802	$ 67,623,697
Notes Payable (Note 5)	29,000,000	32,945,000
Dividends and Distributions Payable (Note 6)	4,354,163	4,233,232
Deferred Revenue (Note 15)	10,035,304	10,724,854
Accrued Interest Payable	261,012	500,796
Accounts Payable		
Capital expenditures	352,430	850,225
Operating	1,529,085	1,261,810
Interest Rate Swap (Note 7)	74,753	-
Deferred Income Taxes (Note 8)	705,000	705,000
Tenant Deposits	97,285	70,077
Total Liabilities	121,961,834	118,914,691
Stockholders' Equity (Note 6)		
Common stock, $.0001 par value; 13,350,000 shares authorized, 8,196,074 and 7,863,930 shares issued and outstanding	820	786
Excess stock, $0.0001 par value, 6,500,000 shares authorized, 0 shares issued and outstanding	-	-
Series A junior participating preferred stock, $0.0001 par value, 150,000 shares authorized, 0 shares issued and outstanding	-	-
Additional paid-in capital	147,466,101	143,892,158
Deficit	(10,632,798)	(11,257,541)
Accumulated other comprehensive income (loss)	(70,806)	-
Total Stockholders' Equity – Agree Realty Corporation	136,763,317	132,635,403
Non-controlling interest	3,063,567	5,346,741
Total Stockholders' Equity	139,826,884	137,982,144
	$ 261,788,718	$ 256,896,835

See accompanying notes to consolidated financial statements.

F-4

Agree Realty Corporation

Consolidated Statements of Income

Year Ended December 31,	2009	2008	2007
Revenues			
Minimum rents	$ 34,157,418	$ 32,850,345	$ 31,636,497
Percentage rents	15,366	15,396	37,111
Operating cost reimbursement	2,647,357	2,783,938	2,759,365
Development fee income	409,643	-	-
Other income	30,462	3,850	34,979
Total Revenues	37,260,246	35,653,529	34,467,952
Operating Expenses			
Real estate taxes	1,937,523	1,866,551	1,848,949
Property operating expenses	1,566,402	1,812,522	1,785,323
Land lease payments	859,200	766,848	675,700
General and administrative	4,559,005	4,361,419	4,462,423
Depreciation and amortization	5,709,326	5,384,737	5,016,718
Total Operating Expenses	14,631,456	14,192,077	13,789,113
Income From Operations	22,628,790	21,461,452	20,678,839
Other Income (Expense)			
Interest expense, net	(4,634,754)	(5,179,414)	(4,895,765)
Gain on sale of asset, net of tax of $705,000	-	-	1,043,675
Total Other Income (Expense)	(4,634,754)	(5,179,414)	(3,852,090)
Net Income	17,994,036	16,282,038	16,826,749
Less Net Income Attributable to Non-Controlling Interest	950,046	1,264,611	1,344,475
Net Income Attributable to Agree Realty Corporation	$ 17,043,990	$ 15,017,427	$ 15,482,274
Other Comprehensive Loss, Net of $(3,947) Attributable to Non-Controlling Interests	70,806	-	-
Total Comprehensive Income Attributable to Agree Realty Corporation	$ 16,973,184	$ 15,017,427	$ 15,482,274
Basic Earnings Per Share (Note 2)	$ 2.15	$ 1.95	$ 2.02
Dilutive Earnings Per Share (Note 2)	$ 2.14	$ 1.95	$ 2.01
Dividend Declared Per Common Share	$ 2.02	$ 2.00	$ 1.97

See accompanying notes to consolidated financial statements.

F-5

Agree Realty Corporation

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In	Non-Controlling		Accumulated Other Comprehensive Income
	Shares	Amount	Capital	Interest	Deficit	(loss)
Balance, January 1, 2007	7,750,496	$ 775	$ 141,276,763	$ 5,878,593	$ (10,858,938)	$
Issuance of shares under the Equity Incentive Plan	3,750	-	-	-	-	-
Vesting of restricted stock	-	-	983,896	-	-	-
Dividends and distributions declared $1.97 per share	-	-	-	(1,326,888)	(15,270,960)	-
Net income	-	-	-	1,344,475	15,482,274	-
Balance, December 31, 2007	7,754,246	775	142,260,659	5,896,180	(10,647,624)	-
Issuance of shares under the Equity Incentive Plan	46,350	4	-	-	-	-
Forfeiture of shares	(4,800)	-	-	-	-	-
Conversion of OP Units	68,134	7	501,025	(501,025)	-	-
Vesting of restricted stock	-	-	1,130,474	-	-	-
Dividends and distributions declared $2.00 per share	-	-	-	(1,313,025)	(15,627,334)	-
Net income	-	-	-	1,264,611	15,017,427	-
Balance, December 31, 2008	7,863,930	786	143,892,158	5,346,741	(11,257,531)	-
Issuance of shares under the Equity Incentive Plan	74,350	8	-	-	-	-
Conversion of OP Units	257,794	26	2,398,186	(2,398,186)	-	-
Vesting of restricted stock	-	-	1,175,757	-	-	-
Other comprehensive (loss)	-	-	-	(3,947)	-	(70,806)
Dividends and distributions declared $2.02 per share	-	-	-	(831,087)	(16,419,257)	-
Net income	-	-	-	950,046	17,043,990	-
Balance, December 31, 2009	8,196,074	$ 820	$ 147,466,101	$ 3,063,567	$ (10,632,798)	$ (70,806)

See accompanying notes to consolidated financial statements.

F-6

Agree Realty Corporation

Consolidated Statements of Cash Flows

Year Ended December 31,	2009	2008	2007
Cash Flows From Operating Activities			
Net income	$ 17,994,036	$ 16,282,038	$ 16,826,749
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	5,643,350	5,320,394	4,958,300
Amortization	354,212	237,297	241,290
Stock-based compensation	1,175,757	1,130,474	983,896
Gain on sale of assets	-	-	(1,043,675)
(Increase) in accounts receivable	(1,022,034)	(194,437)	(38,224)
(Increase) decrease in other assets	69,172	(112,144)	(33,734)
(Decrease) increase in accounts payable	267,275	(221,317)	342,510
Decrease in deferred revenue	(689,550)	(689,550)	(689,550)
Increase (decrease) in accrued interest	(239,784)	171,625	89,853
Increase in tenant deposits	27,208	5,992	-
Net Cash Provided By Operating Activities	23,579,642	21,930,372	21,637,415
Cash Flows From Investing Activities			
Acquisition of real estate investments (including capitalized interest of $220,782 in 2009, $557,645 in 2008 and $556,000 in 2007)	(8,748,856)	(21,418,961)	(19,756,255)
Net proceeds from sale of assets, less amounts held in escrow	-		1,748,675
Net Cash Used In Investing Activities	(8,748,856)	(21,418,961)	(18,007,580)

See accompanying notes to consolidated financial statements.

Agree Realty Corporation

Consolidated Statements of Cash Flows

Year Ended December 31,	2009	2008	2007
Cash Flows From Financing Activities			
Mortgage proceeds	11,358,000	24,800,000	-
Line-of-credit net (payments) borrowings	(3,945,000)	(3,855,000)	16,300,000
Dividends and limited partners' distributions paid	(17,129,368)	(16,918,952)	(16,497,828)
Payments of mortgages payable	(3,428,895)	(2,936,471)	(2,531,079)
Payments of payables for capital expenditures	(850,225)	(1,069,734)	(766,378)
Payments for financing costs	(697,004)	(287,666)	-
Payments of leasing costs	(118,296)	(119,550)	(53,641)
Net Cash Used In Financing Activities	(14,810,788)	(387,373)	(3,548,926)
Net Increase (Decrease) In Cash and Cash Equivalents	19,998	124,038	80,909
Cash and Cash Equivalents, beginning of year	668,677	544,639	463,730
Cash and Cash Equivalents, end of year	$ 688,675	$ 668,677	$ 544,639
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest (net of amounts capitalized)	$ 4,590,239	$ 4,835,277	$ 4,629,948
Supplemental Disclosure of Non-Cash Transactions			
Dividends and limited partners' distributions Declared and unpaid	$ 4,354,163	$ 4,233,232	$ 4,211,827
Conversion of OP Units	$ 2,398,186	$ 501,025	$ -
Shares issued under Stock Incentive Plan	$ 1,159,316	$ 1,364,459	$ 116,688
Real estate investments financed with accounts Payable	$ 352,430	$ 850,225	$ 1,069,734

See accompanying notes to consolidated financial statements.

Agree Realty Corporation

Notes to Consolidated Financial Statements

1. The Company

Agree Realty Corporation (the "Company") is a self-administered, self-managed real estate investment trust ("REIT"), which develops, acquires, owns and operates retail properties, which are primarily leased to national and regional retail companies under net leases. At December 31, 2009, the Company's properties are comprised of 61 single tenant retail facilities and 12 community shopping centers located in 16 states. During the year ended December 31, 2009, approximately 97% of the Company's annual base rental revenues was received from national and regional tenants under long-term leases, including approximately 30% from Walgreen Co. ("Walgreen"), 29% from Borders Group, Inc. ("Borders"), and 11% from Kmart Corporation, a wholly-owned subsidiary of Sears Holdings Corporation ("Kmart").

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of Agree Realty Corporation include the accounts of the Company, its majority-owned partnership, Agree Limited Partnership (the "Operating Partnership"), and its wholly-owned subsidiaries. The Company controlled, as the sole general partner, 95.93% and 92.85% of the Operating Partnership as of December 31, 2009 and 2008, respectively. All material intercompany accounts and transactions are eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of (1) assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and (2) revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Values of Financial Instruments

Certain of the Company's assets and liabilities are disclosed at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants, pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Company attempts to utilize valuation methods that maximize the uses of observable inputs and minimizes the use of unobservable inputs. Based on the operability of the inputs used in the valuation methods the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to

determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

The table below sets forth the Company's fair value hierarchy for liabilities measured or disclosed at fair value as of December 31, 2009.

	Level 1	Level 2	Level 3
Liability:			
Interest rate swap	$ —	$ 74,753	$ —
Fixed rate mortgage	$ —	$ —	$ 48,671,257
Variable rate mortgage	$ —	$ —	$ 22,434,177
Variable rate debt	$ —	$ 29,000,000	$ —

The carrying amounts of the Company's short-term financial instruments, which consist of cash, cash equivalents, receivables, and accounts payable, approximate their fair values. The fair value of the interest rate swap was derived using estimates to settle the interest rate swap agreement, which is based on the net present value of expected future cash flows on each leg of the swap utilizing market-based inputs and discount rates reflecting the risks involved. The fair value of fixed and variable rate mortgages was derived using the present value of future mortgage payments based on estimated current market interest rates. The fair value of variable rate debt is estimated to be equal to the face value of the debt because the interest rates are floating and is considered to approximate fair value.

Investments in Real Estate – Carrying Value of Assets

Real estate assets are stated at cost less accumulated depreciation. All costs related to planning, development and construction of buildings prior to the date they become operational, including interest and real estate taxes during the construction period, are capitalized for financial reporting purposes and recorded as "Property under development" until construction has been completed.

The Company allocates the cost of an acquisition based upon the estimated fair value of the net assets acquired. The Company also estimates the fair value of intangibles related to its acquisitions. The valuation of the fair value of the intangibles primarily involves estimates related to market conditions, probability of lease renewals and the current market value of leases.

Subsequent to completion of construction, expenditures for property maintenance are charged to operations as incurred, while significant renovations are capitalized.

Depreciation and Amortization

Depreciation expense is computed using a straight-line method and estimated useful lives for buildings and improvements of 20 to 40 years and equipment and fixtures of five to 10 years.

Investment in Real Estate – Impairment evaluation

Real estate investments are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use and eventual disposition of these assets. When any such impairment exists, the related assets will be written down to fair value. No impairment loss recognition has been required as of December 31, 2009.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains its cash and cash equivalents at a financial institution. The account balances periodically exceed the Federal Deposit Insurance Corporation ("FDIC") insurance coverage, and as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage.

Accounts Receivable – Tenants

Accounts receivable from tenants are unsecured and reflect primarily reimbursement of specified common area expenses. The Company determines its allowance for uncollectible accounts based on historical trends, existing economic conditions, and known financial position of its tenants. Tenant accounts receivable are written-off by the Company in the year when receipt is determined to be remote.

Unamortized Deferred Expenses

Deferred expenses are stated net of total accumulated amortization. The nature and treatment of these capitalized costs are as follows: (1) financing costs, consisting of expenditures incurred to obtain long-term financing, are being amortized using the interest method over the term of the related loan, and (2) leasing costs, which are amortized on a straight-line basis over the term of the related lease. The Company incurred expenses of $354,212, $231,725 and $233,740 for the years ended December 31, 2009, 2008 and 2007, respectively.

Other Assets

The Company records prepaid expenses, deposits, vehicles, furniture and fixtures, leasehold improvements, acquisition advances and miscellaneous receivables as other assets in the accompanying balance sheets.

Accounts Payable - Capital Expenditures

Included in accounts payable are amounts related to the construction of buildings. Due to the nature of these expenditures, they are reflected in the statements of cash flows as a non-cash financing activity.

Revenue Recognition

Minimum rental income attributable to leases is recorded when due from tenants. Certain leases provide for additional percentage rents based on tenants' sales volume. These percentage rents are recognized when determinable by the Company. In addition, leases for certain tenants contain rent escalations and/or free rent during the first several months of the lease term; however, such amounts are not material.

Costs and Estimated Earnings on Uncompleted Contracts

For contracts where the Company does not retain ownership of real property developed and receives fee income for managing the development project, the Company uses the percentage of completion accounting method. Under this approach, income is recognized based on the status of the uncompleted contracts and the current estimates of costs to complete. The percentage of completion is determined by the relationship of costs incurred to the total estimated costs of the contract. Provisions are made for estimated loses on uncompleted contracts in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income. Such revisions are recognized in the period in which they are determined. Claims for additional compensation due to the Company are

recognized in contract revenues when realization is probable and the amount can be reliably estimated.

Taxes Collected and Remitted to Governmental Authorities

The Company reports taxes, collected from tenants that are to be remitted to governmental authorities, on a net basis and therefore does not include the taxes in revenue.

Operating Cost Reimbursement

Substantially all of the Company's leases contain provisions requiring tenants to pay as additional rent a proportionate share of operating expenses such as real estate taxes, repairs and maintenance, insurance, etc. The related revenue from tenant billings is recognized as operating cost reimbursement in the same period the expense is recorded.

Income Taxes

The Company has made an election to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended and related regulations. The Company generally will not be subject to federal income taxes on amounts distributed to stockholders, providing it distributes 100 percent of its REIT taxable income and meets certain other requirements for qualifying as a REIT. For each of the years in the three-year period ended December 31, 2009, the Company believes it has qualified as a REIT. Notwithstanding the Company’s qualification for taxation as a REIT, the Company is subject to certain state taxes on its income and real estate.

The Company and its taxable REIT subsidiaries (“TRS”) have made a timely TRS election pursuant to the provisions of the REIT Modernization Act. A TRS is able to engage in activities resulting in income that previously would have been disqualified from being eligible REIT income under the federal income tax regulations. As a result, certain activities of the Company which occur within its TRS entity are subject to federal and state income taxes (See Note 8). All provisions for federal income taxes in the accompanying consolidated financial statements are attributable to the Company’s TRS.

Agree Realty Corporation

Notes to Consolidated Financial Statements

Dividends

The Company declared dividends of $2.02, $2.00 and $1.97 per share during the years ended December 31, 2009, 2008, and 2007; the dividends have been reflected for federal income tax purposes as follows:

December 31,	2009	2008	2007
Ordinary income	$ 2.02	$ 1.96	$ 1.93
Return of capital	-	.04	.04
Total	$ 2.02	$ 2.00	$ 1.97

The aggregate federal income tax basis of Real Estate Investments is approximately $21.6 million less than the financial statement basis.

Earnings Per Share

Earnings per share have been computed by dividing the net income by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average common and potential dilutive common shares outstanding in accordance with the treasury stock method.

The following is a reconciliation of the denominator of the basic net earnings per common share computation to the denominator of the diluted net earnings per common share computation for each of the periods presented:

Year Ended December 31,	2009	2008	2007
Weighted average number of common shares outstanding	8,086,840	7,810,692	7,751,321
Unvested restricted stock	140,980	104,050	96,450
Weighted average number of common shares outstanding used in basic earnings per share	7,945,860	7,706,642	7,654,871
Weighted average number of common shares outstanding used in basic earnings per share	7,945,860	7,706,642	7,654,871
Effect of dilutive securities			
Restricted stock	20,099	11,893	61,160
Weighted average number of common shares outstanding used	7,965,959	7,718,535	7,716,031

in diluted earnings per share

Stock Based Compensation

The Company estimates fair value of restricted stock and stock option grants at the date of grant and amortize those amounts into expense on a straight-line basis or amount vested, if greater, over the appropriate vesting period. No stock options were issued or vested during 2009, 2008 or 2007.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued "Accounting Standards Update 2009-01 Topic 105-Generally Accepted Accounting Principles amendments based on Statement of Financial Accounting Standards No. 168-The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" ("ASU 2009-01"), "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162" ("SFAS 168"). ASU 2009-01, or the FASB Accounting Standards Codification ("Codification"), will become the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. On the effective date of ASU 2009-01, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. ASU 2009-01 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of the standard did not have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

3. Costs and Estimated Earnings on Uncompleted Contracts

For contracts where the Company does not retain ownership of real property developed and received fee income for managing the development project, the Company uses the percentage of completion accounting method. Under this approach, income is recognized based on the status of the uncompleted contracts and the current estimates of costs to complete. The percentage of completion is determined by the relationship of costs incurred to the total estimated costs of the contract. Provisions are made for estimated loses on uncompleted contracts in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income. Such revisions are recognized in the period in which they are determined. Claims for additional compensation due to the Company are recognized in contract revenues when realization is probable and the amount can be reliably estimated.

Agree Realty Corporation

Notes to Consolidated Financial Statements

		2009
Cost incurred on uncompleted contracts	$	520,357
Estimated earnings		409,643
Earned revenue		930,000
Less billings to date		-
Total	$	930,000

Total unbilled receivable at December 31, 2009 is $930,000 and is included in accounts receivable – tenants on the consolidated balance sheet.

Agree Realty Corporation

Notes to Consolidated Financial Statements

4. Mortgages Payable

Mortgages payable consisted of the following:

December 31,	2008	2007
Note payable in monthly installments of $39,591 plus interest at 150 basis points over LIBOR (1.73% and 2.695% at December 31, 2009 and 2008 respectively). A final balloon payment in the amount of $22,318,478 is due on July 14, 2013 unless extended for a two year period at the option of the Company	$ 24,153,965	$ 24,613,300
Note payable in monthly installments of $153,838 including interest at 6.90% per annum, with the final monthly payment due January 2020; collateralized by related real estate and tenants' leases	13,385,336	14,274,218
Note payable in monthly installments of $91,675 including interest at 6.27% per annum, with a final monthly payment due July 2026; collateralized by related real estate and tenants' leases	11,325,671	-
Note payable in monthly installments of $128,205 including interest at 6.20% per annum, with a final monthly payment due November 2018; collateralized by related real estate and tenants' leases	10,517,686	11,374,994
Note payable in monthly installments of $99,598 including interest at 6.63% per annum, with the final monthly payment due February 2017; collateralized by related real estate and tenants' leases	6,803,218	7,521,293
Note payable in monthly installments of $57,423 including interest at 6.50% per annum, with the final monthly payment due February 2023; collateralized by related real estate and tenant lease	6,083,869	6,367,177
Note payable in monthly installments of $25,631 including interest at 7.50% per annum, with the final monthly payment due May 2022; collateralized by related real estate	2,480,272	2,597,032

and tenant lease		
Note payable in monthly installments of $12,453 including interest at 6.85% per annum, with the final monthly payment due December 2017; collateralized by related real estate and tenant lease	802,785	875,683
Total	$ 75,552,802	$ 67,623,697

Future scheduled annual maturities of mortgages payable for years ending December 31 are as follows: 2010 - $4,026,021; 2011 - $4,295,502; 2012 - $4,583,021; 2013 - $26,910,481; 2014 - $4,600,685 and $31,137,092 thereafter. The weighted average interest rate at December 31, 2009 and 2008 was 5.66% and 5.59%, respectively.

5. Notes Payable

The Operating Partnership has in place a $55 million line-of-credit agreement (the “Credit Facility”), which is guaranteed by the Company up to the maximum amount and for the full term. The agreement expires in November 2011. Advances under the Credit Facility bear interest within a range of one-month to 12-month LIBOR plus 100 basis points to 150 basis points or the bank's prime rate, at the option of the Company, based on certain factors such as the ratio of the Company’s indebtedness to the capital value of its properties. In addition, the Company must maintain certain leverage and debt service coverage ratios, maintain its adjusted net worth at a minimum level, maintain its tax status as a REIT, and distribute no more than 95% of its adjusted funds from operations. The facility also requires that the Company pay a non-use fee of .125% of the unfunded balance if its outstanding balance is greater than $25 million or .20% of the unfunded balance if its outstanding balance is less than $25 million. The Credit Facility is used to fund property acquisitions and development activities. At December 31, 2009 and 2008, $28,500,000 and $30,500,000, respectively, was outstanding under this facility with a weighted average interest rate of 1.23% and 2.32%, respectively. The Credit Facility’s covenants were all complied with through December 31, 2009.

In addition, the Company maintains a $5,000,000 line-of-credit agreement that matures in November 2011 and can be extended at the Company’s option subject to specified conditions for two additional one-year periods. Monthly interest payments are required, either at the bank's prime rate less 75 basis points, or 150 basis points in excess of the one-month to 12-month LIBOR rate, at the option of the Company. At December 31, 2009 and 2008, $500,000 and $2,445,000, respectively, was outstanding under this agreement with a weighted average interest rate of 2.50% and 3.25%, respectively.

Agree Realty Corporation

Notes to Consolidated Financial Statements

6.	Dividends and Distributions Payable	On December 7, 2009 the Company declared a dividend of $.51 per share for the quarter ended December 31, 2009. The holders of OP Units were entitled to an equal distribution per OP Unit held as of December 31, 2009. The dividends and distributions payable are recorded as liabilities in the Company's consolidated balance sheet at December 31, 2009. The dividend has been reflected as a reduction of stockholders' equity and the distribution has been reflected as a reduction of the limited partners' minority interest. These amounts were paid on January 5, 2010.
7.	Derivative Instruments and Hedging Activity	On January 2, 2009, the Company entered into an interest rate swap agreement for a notional amount of $24,501,280, effective on January 2, 2009 and ending on July 1, 2013. The notional amount decreases over the term to match the outstanding balance of the hedge borrowing. The Company entered into this derivative instrument to hedge against the risk of changes in future cash flows related to changes in interest rates on $24,501,280 of the total variable-rate borrowings outstanding. Under the terms of the interest rate swap agreement, the Company will receive from the counterparty interest on the notional amount based on 1.5% plus one-month LIBOR and will pay to the counterparty a fixed rate of 3.744%. This swap effectively converted $24,501,280 of variable-rate borrowings to fixed-rate borrowings beginning on January 2, 2009 and through July 1, 2013. Companies are required to recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. The Company has designated this derivative instrument as a cash flow hedge. As such, changes in the fair value of the derivative instrument are recorded as a component of other comprehensive income (loss) for the year ended December 31, 2009 to the extent of effectiveness. The ineffective portion of the change in fair value of the derivative instrument is recognized in interest expense. For the year ended December 31, 2009, the Company has determined this derivative instrument to be an effective hedge. The Company does not use derivative instruments for trading or other speculative purposes and it did not have any other derivative instruments or hedging activities as of December 31, 2009.

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Notes to Consolidated Financial Statements

8. Income Taxes

In June 2006, the FASB issued an interpretation which clarified the accounting for uncertainty in income taxes recognized in a company's financial statements. The interpretation prescribed a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provided guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company was subject to the provisions of FASB ASC 740-10 as of January 1, 2007, and has analyzed its various federal and state filing positions. The Company believes that its income tax filing positions and deductions are documented and supported. Additionally the Company believes that its accruals for tax liabilities are adequate. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FASB ASC 740-10. In addition, the Company did not record a cumulative effect adjustment related to the adoption of FASB ASC 740-10. The Company's Federal income tax returns are open for examination by taxing authorities for all tax years after December 31, 2005.

For income tax purposes, the Company has certain TRS entities that have been established and in which certain real estate activities are conducted.

As of December 31, 2009, the Company has estimated a current income tax liability of approximately $62,000 and a deferred income tax liability in the amount of $705,000. This deferred income tax balance represents the federal and state tax effect of deferring income tax in 2007 on the sale of an asset under section 1031 of the Internal Revenue Code. This transaction accrued within the TRS described above.

9. Stock Incentive Plan

The Company established a stock incentive plan in 1994 (the "1994 Plan") under which options were granted. The options, had an exercise price equal to the initial public offering price ($19.50/share), could be exercised in increments of 25% on each anniversary of the date of the grant, and expire upon employment termination. All options granted under the 1994 Plan have been exercised. In 2005, the Company's stockholders approved the 2005 Equity Incentive Plan (the "2005 Plan"), which replaced the 1994 Plan. The 2005 Plan authorizes the issuance of a maximum of one million shares of common stock. No options were granted during 2009, 2008 or 2007.

10. Stock Based Compensation

As part of the Company's 2005 Equity Incentive Plan, restricted common shares are granted to certain employees. As of December 31, 2009, there was $2,469,448 of total unrecognized compensation costs related to the outstanding restricted shares, which is expected to be recognized over a weighted average period of 3.06 years. The Company used 0% for both the discount factor and forfeiture rate for determining the fair value of restricted stock. The forfeiture rate was based on historical results and trends and the Company does not

consider discount rates to be material.

The holder of a restricted share award is generally entitled at all times on and after the date of issuance of the restricted shares to exercise the rights of a stockholder of the Company, including the right to vote the shares and the right to receive dividends on the shares. The Company granted 74,350 shares of restricted stock in 2009 to employees and sub-contractors under the 2005 Equity Incentive Plan. The restricted shares vest over a 5 year period based on continued service to the Company. Restricted share activity is summarized as follows:

	Shares Outstanding	Weighted Average Grant Date Fair Value
Non-vested restricted shares at January 1, 2008	96,450	$ 24.89
Restricted shares granted	46,350	$ 29.44
Restricted shares vested	(33,950)	$ 28.57
Restricted shares forfeited	(4,800)	$ 31.03
Non-vested restricted shares at December 31, 2008	104,050	$ 30.57
Restricted shares granted	74,350	$ 15.59
Restricted shares vested	(37,420)	$ 30.46
Restricted shares forfeited	-	-
Non-vested restricted shares at December 31, 2009	140,980	$ 22.70

11. Profit-Sharing Plan

The Company has a discretionary profit-sharing plan whereby it contributes to the plan such amounts as the Board of Directors of the Company determines. The participants in the plan cannot make any contributions to the plan. Contributions to the plan are allocated to the employees based on their percentage of compensation to the total compensation of all employees for the plan year. Participants in the plan become fully vested after six years of service. No contributions were made to the plan in 2009, 2008 or 2007.

12. Rental Income

The Company leases premises in its properties to tenants pursuant to lease agreements, which provide for terms ranging generally from five to 25 years. The majority of leases provide for additional rents based on tenants' sales volume. The weighted average remaining lease term is 10.3 years.

As of December 31, 2009, the future minimum rentals for the next five years from rental property under the terms of all noncancellable tenant leases, assuming no new or renegotiated leases are executed for such premises, are as follows (in thousands):

2010	$ 34,261
2011	33,089
2012	31,510
2013	29,772
2014	28,964
Thereafter	213,373
Total	$ 370,969

Of these future minimum rentals, approximately 49% of the total is attributable to Walgreen, approximately 24% of the total is attributable to Borders and approximately 8% is attributable to Kmart. Walgreen operates in the national drugstore chain industry, Borders is a major operator of book superstores in the United States and Kmart's principal business is general merchandise retailing through a chain of discount department stores. The loss of any of these anchor tenants or the inability of any of them to pay rent could have an adverse effect on the Company's business.

The Company's properties are located primarily in the Midwestern United States and in particular Michigan. Of the Company's 73 properties, 42 are located in Michigan.

13. Lease Commitments

The Company has entered into certain land lease agreements for four of its properties. As of December 31, 2009, future annual lease commitments under these agreements are as follows:

For the Year ending December 31,

2010	$ 890,600
2011	906,300
2012	906,300
2013	906,300
2014	906,300
Thereafter	9,459,222
Total	$ 13,975,022

The Company leases its executive offices from a limited liability company controlled by its Chief Executive Officer's children. Under the terms of the lease, which expires on December 31, 2014, the Company is required to pay an annual rental of $90,000 and is responsible for the payment of real estate taxes, insurance and maintenance expenses relating to the building.

Agree Realty Corporation

Notes to Consolidated Financial Statements

14. Interim Results (Unaudited)

The following summary represents the unaudited results of operations of the Company, expressed in thousands except per share amounts, for the periods from January 1, 2008 through December 31, 2009. Certain amounts have been reclassified to conform to the current presentation of discontinued operations:

2009	Three Months Ended March 31,	June 30,	September 30,	December 31,
Revenues	$ 9,241	$ 9,123	$ 9,201	$ 9,695
Net Income	$ 4,317	$ 4,508	$ 4,607	$ 4,562
Earnings Per Share – Diluted	$ .52	$ .54	$ .55	$ .53

2008	Three Months Ended March 31,	June 30,	September 30,	December 31,
Revenues	$ 8,768	$ 8,789	$ 9,029	$ 9,068
Net Income	$ 3,888	$ 4,091	$ 4,182	$ 4,121
Earnings Per Share – Diluted	$ .47	$ .49	$ .50	$ .49

15. Deferred Revenue

In July 2004, the Company's tenant in two joint venture properties located in Ann Arbor, MI and Boynton Beach, FL repaid $13.8 million that had been contributed by the Company's joint venture partner. As a result of this repayment the Company became the sole member of the limited liability companies holding the properties. Total assets of the two properties were approximately $13.8 million. The Company has treated the $13.8 million repayment of the capital contribution as deferred revenue and accordingly, will recognize rental income over the term of the related leases.

16. Subsequent Events

In January 2010, the Company granted 75,800 shares of restricted stock to employees and associates under the 2005 Equity Incentive Plan. The restricted shares vest over a five year period based on continued service to the Company.

The Company evaluates events occurring after the date of the financial statements for events requiring recording or disclosure in the financial statements.

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Schedule III – Real Estate and Accumulated Depreciation
December 31, 2009

n A	Column B	Column C		Column D	Column E			Column F	Column G	Co
ion	Encumbrance	Initial Cost Land	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Gross Amount at Which Carried At Close of Period Land	Buildings and Improvements	Total	Accumulated Depreciation	Date of Construction	Life or Depreci Latest St is Co
eted i l s										
lub,	$ -	$ 550,000	$ 562,404	$ 1,087,596	$ 550,000	$ 1,650,000	$ 2,200,000	$ 1,411,767	1977	4
Y	-	7,379	2,240,607	3,337,274	7,379	5,577,881	5,585,260	2,178,098	1978	4
ix n,	-	305,000	5,152,992	106,718	305,000	5,259,710	5,564,710	2,504,254	1991	4
a s,	3,278,952	1,197,150	6,367,560	446,0018	1,197,150	6,813,578	8,010,728	3,225,681	1990	4
I	-	200,000	1,778,657	-	200,000	1,778,657	1,978,657	1,147,280	1984	4
d s,	-	167,500	8,181,306	332,545	167,500	8,513,851	8,681,351	3,900,883	1991	4
o,	-	-	4,662,230	115,294	-	4,777,524	4,777,524	2,222,379	1990	4
l L	4,002,494	1,641,879	6,364,379	1,772,138	1,641,879	8,136,517	9,778,396	3,047,928	1987	4
I	-	183,295	1,872,854	-	183,295	1,872,854	2,056,149	1,204,321	1984	4
MI	4,127,870	875,000	8,895,289	314,411	875,000	9,209,700	10,084,700	4,277,059	1990	4
n s,	-	535,460	5,667,504	282,915	535,460	5,950,419	6,485,879	2,823,384	1990	4
es,	-	705,000	6,854,790	1,885,531	705,000	8,740,321	9,445,321	3,398,794	1990	4
o I	3,920,344	190,000	9,133,934	253,763	190,000	9,387,697	9,577,697	4,521,308	1990	4
	-	8,002	784,077	143,258	8,002	927,335	935,337	581,031	1982	4

t										
NE	1,539,611	1,705,619	2,053,615	2,152	1,705,619	2,055,767	3,761,386	725,934	1995	4
KS	1,127,474	1,039,195	1,690,644	24,666	1,039,195	1,715,310	2,754,505	605,645	1995	4
CA	-	2,355,423	3,240,557	2,650	2,355,423	3,243,207	5,598,630	1,145,247	1995	4
ille,	-	6,332,158	2,249,724	-	6,332,158	2,249,724	8,581,882	737,937	1996	4
	-	879,562	1,626,501	-	879,562	1,626,501	2,506,063	538,590	1996	4
s,	-	826,000	2,336,791	-	826,000	2,336,791	3,162,791	813,007	1996	4
,	-	-	3,173,121	-	-	3,173,121	3,173,121	1,087,455	1996	4
L	-	1,534,942	2,043,122	-	1,534,942	2,043,122	3,578,064	668,083	1996	4
e,	2,480,272	981,331	3,000,000	349,127	981,331	3,349,127	4,330,458	994,104	1997	4
d,	1,638,215	971,009	1,562,869	135,390	971,009	1,698,259	2,669,268	508,442	1997	4
ield p,	1,798,771	1,350,590	1,757,830	(46,164)	1,350,590	1,711,666	3,062,256	492,685	1998	4
II	1,718,493	1,104,285	1,998,919	43,929	1,104,285	2,042,848	3,147,133	554,638	1998	4
MI	1,647,739	1,144,190	1,808,955	(113,506)	1,144,190	1,695,449	2,839,639	478,552	1998	4
sant g										
MI	-	907,600	8,081,968	684,287	907,600	8,766,255	9,673,855	3,193,599	1973	4
K	-	1,100,000	2,394,512	-	1,100,000	2,394,512	3,494,512	698,405	1998	4
a,	2,468,501	1,545,509	2,093,700	286,589	1,545,509	2,380,289	3,925,798	623,044	1999	4
r,	2,682,421	2,438,740	2,188,050	1,949	2,438,740	2,189,999	4,628,739	574,851	1999	4

Agree Realty Corporation
Schedule III – Real Estate and Accumulated Depreciation
December 31, 2009

umn A	Column B	Column C		Column D			Column E	Column F	Column G	Colun
		Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period					Life on W Depreciati Latest Inc
iption	Encumbrance	Land	Buildings and Improvements		Land	Buildings and Improvements	Total	Accumulated Depreciation	Date of Construction	State is Comp
anti, MI	2,422,746	2,050,000	2,222,097	29,624	2,050,000	2,251,721	4,301,721	562,974	1999	40 Y
antown,	2,321,253	1,400,000	2,288,890	45,000	1,400,000	2,333,890	3,733,890	591,010	2000	40 Y
key, MI	1,685,214	-	2,332,473	(1,721)	-	2,330,752	2,330,752	564,065	2000	40 Y
MI	2,541,875	2,026,625	1,879,700	(1,201)	2,026,625	1,878,499	3,905,124	422,667	2000	40 Y
MI	2,187,164	1,477,680	2,241,293	-	1,477,680	2,241,293	3,718,973	497,284	2001	40 Y
more,	1,865,916	1,250,000	2,285,781	(16,502)	1,250,000	2,269,279	3,519,279	475,305	2001	40 Y
MI	3,719,383	1,729,851	1,798,091	660	1,729,851	1,798,751	3,528,602	346,597	2002	40 Y
homa										
OK	2,987,023	1,914,859	2,057,034	-	1,914,859	2,057,034	3,971,893	376,399	2002	40 Y
ha, NE	2,740,909	1,530,000	2,237,702	-	1,530,000	2,237,702	3,767,702	409,437	2002	40 Y
napolis,	802,785	180,000	1,117,617	-	180,000	1,117,617	1,297,617	204,550	2002	40 Y
apids,	-	1,201,675	2,014,107	(2,000)	1,201,675	2,012,107	3,213,782	339,583	2003	40 Y
MI	-	-	471,272	(201,809)	-	269,463	269,463	58,383	2003	20 Y
Arbor,	6,083,869	1,727,590	6,009,488	-	1,727,590	6,009,488	7,737,078	1,072,392	2003	40 Y
, OK	-	2,000,000	2,740,507	-	2,000,000	2,740,507	4,740,507	442,129	2003	40 Y
n										
MI	1,516,578	1,550,000	2,132,096	23,020	1,550,000	2,155,116	3,705,116	327,708	2003	40 Y
MI	4,310,695	1,537,400	1,961,674	-	1,537,400	1,961,674	3,499,074	286,161	2004	40 Y
ter, NY	1,653,154	1,600,000	2,438,781	-	1,600,000	2,438,781	4,038,781	353,118	2004	40 Y
n, NY	2,021,167	1,900,000	3,037,864	-	1,900,000	3,037,864	4,937,864	389,228	2004	40 Y
MI	3,295,593	1,029,000	2,165,463	(6,666)	1,029,000	2,158,797	3,187,797	276,555	2004	40 Y
ng, MI	-	785,000	348,501	3,045	785,000	351,546	1,136,546	48,301	2004	40 Y
ton										
n, FL	1,654,134	1,569,000	2,363,524	108,651	1,569,000	2,472,175	4,041,175	330,823	2004	40 Y
Arbor,	4,158,223	1,700,000	8,308,854	150,000	1,700,000	8,458,854	10,158,854	1,309,189	2004	40 Y
nd, MI	-	2,350,000	2,313,413	2,070	2,350,000	2,315,483	4,665,483	258,004	2005	40 Y
d										
s, MI	3,379,624	1,450,000	2,646,591	-	1,450,000	2,646,591	4,096,591	286,715	2005	40 Y
Twp.,	3,809,766	2,075,000	2,535,971	7,015	2,075,000	2,542,986	4,617,986	264,950	2005	40 Y

ville.,	3,380,829	1,771,000	2,327,052	-	1,771,000	2,327,052	4,098,052	239,976	2005	40 Y
easant.,	-	1,075,000	1,432,390	4,787	1,075,000	1,437,177	2,512,177	146,700	2005	40 Y
pe May,	-	1,075,000	1,430,092	495	1,075,000	1,430,587	2,505,587	146,035	2005	40 Y
nit MI	1,926,188	998,460	1,336,357	-	998,460	1,336,357	2,334,817	109,948	2006	40 Y
ia, MI	4,503,823	1,200,000	3,441,694	817,589	1,200,000	4,259,283	5,459,283	245,652	2007	40 Y
sville,	-	932,500	2,091,514	5,490	932,500	2,097,004	3,029,504	115,743	2007	40 Y
Lansing,	-	1,450,000	1,002,192	177,406	1,450,000	1,179,598	2,629,598	62,980	2007	40 Y
ield, IN	-	4,549,757	-	62,884	4,612,641	-	4,612,641	-	2007	40 Y
mb ship,	5,037,776	2,621,500	3,484,212	799	2,621,500	3,485,011	6,106,511	19,713	2008	40 Y
anti, MI	-	1,850,000	3,034,335	1,224	1,850,000	3,035,559	4,885,559	120,140	2008	40 Y
on FL	-	815,000	2,329,487	2,223	815,000	2,331,710	3,146,710	87,420	2008	40 Y
y ship,	2,115,958	75,000	2,533,876	(44,028)	-	2,564,848	2,564,848	90,509	2008	40 Y
Spring s, FL	-	1,975,000	2,504,112	-	1,195,000	2,504,112	4,479,112	62,603	2009	40 Y

Agree Realty Corporation
Schedule III – Real Estate and Accumulated Depreciation
December 31, 2009

mn A	Column B	Column C		Column D	Column E			Column F	Column G
			Initial Cost	Costs Capitalized Subsequent to	Gross Amount at Which Carried at Close of Period				Depreciation
ption	Encumbrance	Land	Buildings and Improvements	Acquisition	Land	Buildings and Improvements	Total	Accumulated Depreciation	Date of Construction
n, MI	-	1,365,000	2,802,036	-	1,365,000	2,802,036	4,167,036	58,376	2009
John,	-	2,320,860	2,402,641	-	2,320,860	2,402,641	4,723,501	40,044	2009
MI	-	890,000	1,930,182	-	890,000	1,930,182	2,820,182	12,064	2009
eld,	-	1,200,000	125,616	-	1,200,000	125,616	1,325,616	654	2009
tal	104,552,802	94,979,575	207,976,033	12,616,585	94,967,459	220,604,734	315,572,193	64,076,469	
es									
pment									
ustine FL	-	-	2,093,365	-	-	2,093,365	2,093,365	-	N/A
FL	-	-	1,842,477	-	-	1,842,477	1,842,477	-	N/A
bor,	-	-	418,718	-	-	418,718	418,718	-	N/A
	-	80,000	437,415	-	80,000	437,415	517,415	-	N/A
	-	80,000	4,791,975	-	80,000	4,791,975	4,871,975	-	
	$ 104,552,802	$ 95,059,575	$ 212,768,008	$ 12,616,585	$ 95,047,459	$ 224,033,593	$ 320,444,168	$ 64,076,469	

Agree Realty Corporation
Notes to Schedule III
December 31, 2009

1) Reconciliation of Real Estate Properties

The following table reconciles the Real Estate Properties from January 1, 2007 to December 31, 2009:

	2009	2008	2007
Balance at January 1	$ 311,342,882	$ 289,073,696	$ 268,247,707
Construction and acquisition costs	9,101,286	22,269,186	20,825,989
Balance at December 31	$ 320,444,168	$ 311,342,882	$ 289,073,696

2) Reconciliation of Accumulated Depreciation

The following table reconciles the accumulated depreciation from January 1, 2007 to December 31, 2009:

	2009	2008	2007
Balance at January 1	$ 58,502,384	$ 53,250,564	$ 48,352,753
Current year depreciation expense	5,574,085	5,251,820	4,897,811
Balance at December 31	$ 64,076,469	$ 58,502,384	$ 53,250,564

3) Tax Basis of Buildings and Improvements

The aggregate cost of Building and Improvements for federal income tax purposes is approximately $21,648,000 less than the cost basis used for financial statement purpose.